

**CITY OF POLSON COMMISSION  
SPECIAL MEETING AGENDA**

**COMMISSION CHAMBERS**

**September 9, 2015**

**7:00 P.M.**

**1. CALL TO ORDER**

Mayor Knutson

**2. PLEDGE OF ALLEGIANCE**

Mayor Knutson

**3. APPROVAL OF PROPOSED AGENDA**

Mayor Knutson

**4. PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC **NOT** ON THE AGENDA (address items to the Chair. Commission takes no action on items discussed**

**5. CONSENT AGENDA**

- a. Additional June 2015 claims
- b. August 14-31, 2015 claims
- c. September 1-3, 2015 claims
- d. City Commission Meeting Minutes August 17, 2015
- e. City Commission Preliminary Budget Workshop Meeting Minutes, August 24, 2015
- f. City Commission Preliminary Budget Public Hearing Minutes August 26, 2015
- g. City Commission Special Meeting September 1, 2015
- h. Law Enforcement Memorandum of Agreement
- i. 13<sup>th</sup> Ave. Properties Petition for Annexation
- J. Semi-Annual Report of Tax and Special Assessments Receivable

**6. CITY MANAGER COMMENTS**

City Manager Mark Shrives

**7. APPROVE RESOLUTION NO. 2015-020 PROCLAMATION POLSON POLICE DEPARTMENT APPRECIATION OF SERVICE SEASON**

City Manager Mark Shrives

**8. OATH OF OFFICE-POLSON POLICE OFFICER MATHIEU GFROERER**

Mayor Knutson

**OLD BUSINESS**

**9. POLSON DEVELOPMENT CODE**

City Manager Mark Shrives

**NEW BUSINESS**

**10. A BRIEF OVERVIEW OF THE SERVICES PROVIDED BY RSVP (RETIRED SENIOR VOLUNTEER PROGRAM) AND MONTANA AREA VI AGENCY ON AGING**

Sherlee Santorno, Tammy Walston

**11. ANNUAL AUDIT REPORT FY2014**

Jennifer Cote, CPA Cote & Associates

**12. AFFORDABLE HOUSING PROJECT**

City Planner Kyle Roberts/ Alex Buckhalter

**13. APPROVE AN ORDINANCE TO AMEND SECTION 2.05.510 TO CLARIFY THAT NO SEPARATE AGENCY IS CREATED FOR POLSON URBAN RENEWAL**

City Manager Mark Shrives

**14. POLSON REDEVELOPMENT AGENCY PROJECT RECOMMENDATION**

PRA President Ken Avison, City Manager Mark Shrives

**15. APPROVE TSEP INFRASTRUCTURE PLANNING GRANT APPLICATION**

City Manager Mark Shrives

**16. AWARD OF WASTEWATER TREATMENT LAGOON CELL #1 BIO-SOLIDS REMOVAL PROJECT**

City Manager Mark Shrives

**17. RECESS**

**EXECUTIVE SESSION**

**18. PERSONNEL-MCA CODE 2-3-203 (3) THE PRESIDING OFFICER OF ANY MEETING MAY CLOSE THE MEETING DURING THE TIME THE DISCUSSION RELATES TO A MATTER OF INDIVIDUAL PRIVACY AND THEN IF AND ONLY IF THE PRESIDING OFFICER DETERMINES THAT THE DEMANDS OF INDIVIDUAL PRIVACY CLEARLY EXCEED THE MERITS OF PUBLIC DISCLOSURE. THE RIGHT OF INDIVIDUAL PRIVACY MAY BE WAIVED BY THE INDIVIDUAL ABOUT WHOM THE DISCUSSION PERTAINS AND, IN THAT EVENT, THE MEETING MUST BE OPEN.**

**19. RE-CONVENE**

**20. ADJOURN**

The City of Polson encourages public participation in its public meetings and hearings. In doing so the City holds its meetings in handicapped accessible facilities. Any persons desiring accommodations for a handicapping condition should call the City Clerk at 883-8203 for more information.

09/03/15  
15:42:06

City of Polson  
Claim Details by Fund, Account  
For the Accounting Period: 6/15

Page: 1 of 2  
Report ID: AP100Z

For Doc # = 121728

5a

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5010 Golf Fund	460447 Golf Course - Pro Shop	000316 WALLACES GOLF SHOP	GOLF PRO-MAR CITY SH	863.52
5010 Golf Fund	460447 Golf Course - Pro Shop	000316 WALLACES GOLF SHOP	GOLF PRO-JUN CITY SH	1,449.55
			Total for Fund:	2,313.07
			Total:	2,313.07

09/03/15  
15:42:06

City of Polson  
Fund Summary for Claims  
For the Accounting Period: 6/15

Page: 2 of 2  
Report ID: AP110

---

Fund/Account	Amount
5010 Golf Fund	
101000	\$2,313.07
	Total: \$2,313.07

---

09/03/15  
15:43:26

City of Polson  
Claim Details by Fund, Account  
For the Accounting Period: 8/15

Page: 1 of 8  
Report ID: AP100Z

For doc #s from 121717 to 121922

56.

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
1000 General All-Purpose Fund	214550 Deposits Payable -	999999 FESTIVALS ON THE FLATHEAD	FACILITIES-CLEAN DEP	100.00
1000 General All-Purpose Fund	214550 Deposits Payable -	999999 POLSON TRIATHLON	FACILITIES-CLEANING	100.00
1000 General All-Purpose Fund	214550 Deposits Payable -	999999 KEN SILER	FACILITIES-CLEANING	100.00
1000 General All-Purpose Fund	410200 Executive Services	4895 8x8, INC.	EXECUTIVE-TELEPHONE	34.39
1000 General All-Purpose Fund	410360 Municipal Court	2031 DENNIS DEVRIES	COURT-JUDGE CONTRCT	1,139.25
1000 General All-Purpose Fund	410360 Municipal Court	4605 THIRD EYE TECHNOLOGIES,	COURT-AVG LIC UPDATE	67.34
1000 General All-Purpose Fund	410360 Municipal Court	1925 VALLEY BUSINESS SYTEMS	COURT-SHARED TONER	30.00
1000 General All-Purpose Fund	410360 Municipal Court	000010 CENTURYLINK	COURT-SHARED FAX SER	21.50
1000 General All-Purpose Fund	410360 Municipal Court	000023 GULL PRINTING	COURT-J HART NOTARY	27.95
1000 General All-Purpose Fund	410360 Municipal Court	000023 GULL PRINTING	COURT-JUDGE DEVRIES	89.95
1000 General All-Purpose Fund	410360 Municipal Court	4895 8x8, INC.	COURT-TELEPHONE SERV	29.15
1000 General All-Purpose Fund	410360 Municipal Court	4895 8x8, INC.	COURT-SHARED TELEPHO	32.65
1000 General All-Purpose Fund	410360 Municipal Court	3068 WALMART COMMUNITY CREDIT	COURT-SUPPLIES	34.61
1000 General All-Purpose Fund	410400 Administrative Services	4605 THIRD EYE TECHNOLOGIES,	ADMIN-AVG LICENSE UP	67.34
1000 General All-Purpose Fund	410400 Administrative Services	4895 8x8, INC.	ADMIN-TELEPHONE SERV	66.29
1000 General All-Purpose Fund	410500 Financial Services	4605 THIRD EYE TECHNOLOGIES,	FINANCE-AVG LICENSE	67.34
1000 General All-Purpose Fund	410500 Financial Services	4128 LAKE COUNTY JSEC	FINANCE-AS CLASS REG	40.00
1000 General All-Purpose Fund	410500 Financial Services	3025 FIRST BANKCARD	FINANCE-CREDIT CARD	50.64
1000 General All-Purpose Fund	410500 Financial Services	4895 8x8, INC.	FINANCE-TELEPHONE SE	58.30
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	1925 VALLEY BUSINESS SYTEMS	FACILITIES-FAX TONER	85.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	1959 A & R TROPHIES	FACILITIES-JUDGE DeV	15.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000282 QUILL CORPORATION	FACILITY-BATTERIES	15.99
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000282 QUILL CORPORATION	FACILITY-PAPER	63.98
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000011 MISSION VALLEY POWER	FACILITIES-CITY HALL	236.45
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000011 MISSION VALLEY POWER	FACILITIES-FIRE HALL	145.19
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000011 MISSION VALLEY POWER	FACILITIES-HVAC SYST	229.20
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	3902 VALLEY JOURNAL LLP	FACILITY-EDC PUB HEA	210.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000010 CENTURYLINK	FACILITIES-FAX SERVI	31.29
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000023 GULL PRINTING	FACILITIES-LICENSE C	139.95
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2943 CLICK HERE DESIGNS	FACILITIES-DOMAIN RE	35.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2943 CLICK HERE DESIGNS	FACILITIES-ADDT'L EM	10.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2943 CLICK HERE DESIGNS	FACILITIES-ADDT'L EM	10.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2943 CLICK HERE DESIGNS	FACILITIES-ADDT'L EM	10.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2943 CLICK HERE DESIGNS	FACILITIES-DOMAIN HO	22.50
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	3025 FIRST BANKCARD	FACILITIES - SIGNAL	87.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	4895 8x8, INC.	FACILITIES-TELEPHONE	149.82
1000 General All-Purpose Fund	420140 Crime Control and	4684 WASH N' GO, LLC	POLICE-VEH WASH 7/1-	69.14
1000 General All-Purpose Fund	420140 Crime Control and	3857 STANFORD POLICE &	POLICE-UNIFORM & ACC	864.86
1000 General All-Purpose Fund	420140 Crime Control and	3857 STANFORD POLICE &	POLICE-UNDERBELT	21.00
1000 General All-Purpose Fund	420140 Crime Control and	000282 QUILL CORPORATION	POLICE-BATTERIES 16	15.99
1000 General All-Purpose Fund	420140 Crime Control and	000282 QUILL CORPORATION	POLICE-BATTERIES 24	44.98
1000 General All-Purpose Fund	420140 Crime Control and	000282 QUILL CORPORATION	POLICE-HP INK	92.97
1000 General All-Purpose Fund	420140 Crime Control and	000282 QUILL CORPORATION	POLICE-FLASH DRIVE	15.98
1000 General All-Purpose Fund	420140 Crime Control and	2074 VERIZON WIRELESS	POLICE-CELL PHONE SE	372.07
1000 General All-Purpose Fund	420140 Crime Control and	000026 POLSON AUTO PARTS, INC.	POLICE-REARVIEW MIR	7.98
1000 General All-Purpose Fund	420140 Crime Control and	000011 MISSION VALLEY POWER	POLICE-STORAGE SHED	29.74
1000 General All-Purpose Fund	420140 Crime Control and	4605 THIRD EYE TECHNOLOGIES,	POLICE-FIX PASSWORD	75.00
1000 General All-Purpose Fund	420140 Crime Control and	4605 THIRD EYE TECHNOLOGIES,	POLICE-AVG LICENSE U	67.34
1000 General All-Purpose Fund	420140 Crime Control and	1925 VALLEY BUSINESS SYTEMS	POLICE-SHARED TONER	30.00
1000 General All-Purpose Fund	420140 Crime Control and	4932 SHERWIN-WILLIAMS	STREETS-PAINT	49.90
1000 General All-Purpose Fund	420140 Crime Control and	4932 SHERWIN-WILLIAMS	STREETS-PAINT SUPPLI	34.32
1000 General All-Purpose Fund	420140 Crime Control and	000010 CENTURYLINK	POLICE-SHARED FAX SE	21.50

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
1000 General All-Purpose Fund	420140 Crime Control and	000023 GULL PRINTING	POLICE-G SIMPSON CAR	49.95
1000 General All-Purpose Fund	420140 Crime Control and	000023 GULL PRINTING	POLICE-ACCIDENT EXCH	149.95
1000 General All-Purpose Fund	420140 Crime Control and	4895 8x8, INC.	POLICE-TELEPHONE SER	209.66
1000 General All-Purpose Fund	420140 Crime Control and	4895 8x8, INC.	POLICE-SHARED TELEPH	32.64
1000 General All-Purpose Fund	420140 Crime Control and	3068 WALMART COMMUNITY CREDIT	POLICE- 7 FLASH DRIV	104.16
1000 General All-Purpose Fund	420140 Crime Control and	3068 WALMART COMMUNITY CREDIT	POLICE-SUPPLIES	14.00
1000 General All-Purpose Fund	420140 Crime Control and	4935 APPLIANCE CARE	POLICE-DIAGNOSIS OF	65.00
1000 General All-Purpose Fund	420140 Crime Control and	2255 BLUMENTHAL UNIFORMS &	POLICE-UNIFORM ACCES	261.00
1000 General All-Purpose Fund	420140 Crime Control and	4788 G. W., INC	POLICE-BLACKHAWK HOL	180.70
1000 General All-Purpose Fund	420140 Crime Control and	4788 G. W., INC	POLICE-HOLSTER, POU	128.24
1000 General All-Purpose Fund	420146 Police Municipal Services	3610 VINCENT RIVER, PH.D.,	POLICE-PRE-EMPTY EXA	715.00
1000 General All-Purpose Fund	420400 Fire Protection and	000011 MISSION VALLEY POWER	FIRE-SIREN 705 1ST S	11.00
1000 General All-Purpose Fund	420400 Fire Protection and	3256 CLINT COTTLE	FIRE-CC TRAVEL MEALS	69.00
1000 General All-Purpose Fund	420400 Fire Protection and	000259 PETER BISHOP	FIRE-CLASS REG. REIM	95.00
1000 General All-Purpose Fund	420400 Fire Protection and	1879 THE UPS STORE	FIRE-SHIPMENT	10.17
1000 General All-Purpose Fund	420400 Fire Protection and	3665 JODI O'SULLIVAN	FIRE-CLASS REGISTRAT	95.00
1000 General All-Purpose Fund	420400 Fire Protection and	4208 MAHUGH FIRE & SAFETY, LLC	FIRE-HYDR GATE VALVE	252.00
1000 General All-Purpose Fund	420400 Fire Protection and	4931 UL LLC	FIRE-SERVICE TRUCK #	1,620.00
1000 General All-Purpose Fund	420400 Fire Protection and	4605 THIRD EYE TECHNOLOGIES,	FIRE-AVE LICENSE UPD	67.34
1000 General All-Purpose Fund	420400 Fire Protection and	4365 PATRICK GEMBALA	FIRE-RMRSE MEALS AF	40.90
1000 General All-Purpose Fund	420400 Fire Protection and	4752 PROFORMA	FIRE-BARRICADE TAPE	54.86
1000 General All-Purpose Fund	420400 Fire Protection and	000010 CENTURYLINK	FIRE-SERVICES IN FIR	41.58
1000 General All-Purpose Fund	420400 Fire Protection and	3025 FIRST BANKCARD	FIRE-CC TRAVEL LODGI	139.23
1000 General All-Purpose Fund	420400 Fire Protection and	4895 8x8, INC.	FIRE-TELEPHONE SERVI	29.15
1000 General All-Purpose Fund	420540 Land Use	4605 THIRD EYE TECHNOLOGIES,	PLANNING-AVG LICENSE	67.34
1000 General All-Purpose Fund	420540 Land Use	4835 SANDS SURVEYING, INC	PLANNING-CONTRACT PL	750.00
1000 General All-Purpose Fund	420540 Land Use	4895 8x8, INC.	PLANNING-TELEPHONE S	29.15
1000 General All-Purpose Fund	430240 Road and Street	4825 IBS, INC	STREETS-VARIETY PROD	100.29
1000 General All-Purpose Fund	430240 Road and Street	2707 CALIFORNIA CONTRACTORS	STREETS-INVERTED SPR	95.88
1000 General All-Purpose Fund	430240 Road and Street	4159 REXEL INC, d/b/a PLATT	STREETS-40PC IR SCR	21.00
1000 General All-Purpose Fund	430240 Road and Street	000011 MISSION VALLEY POWER	STREETS-CITY SHOP	142.70
1000 General All-Purpose Fund	430240 Road and Street	4605 THIRD EYE TECHNOLOGIES,	STREETS-AVG LICENSE	67.34
1000 General All-Purpose Fund	430240 Road and Street	000023 GULL PRINTING	STREETS-40 NO PARKIN	140.00
1000 General All-Purpose Fund	430240 Road and Street	000023 GULL PRINTING	PARKS-BIKE SALE RECE	5.30
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-3/4 CAP, GLV	3.49
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-4X8 OSB, HEM	82.23
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-PFH SH WD/MT	14.50
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-MIDWEST/ASST	0.46
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-GANG SWITCH	0.39
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-SUPPLIES FOR	164.06
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-SUPPLIES FOR	57.86
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-COUPPLING, GAL	7.28
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-COPPER CRIMP	0.58
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-UNF BATTERY	85.16
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-UNF BATTERY	85.16
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-UNF BATT RET	-85.16
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-GRT STUFF FO	22.56
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-GALV NIPL, G	-7.28
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-SLAB CONCRET	15.58
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-SLAB CONCRET	31.16
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-DROP IN ANCH	5.25
1000 General All-Purpose Fund	430240 Road and Street	000034 WESTERN BUILDING CENTER	STREETS-STOVE GASKET	11.99

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-SACAJAWEA WLK	37.78
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-J CAMPBELL PAR	11.00
1000 General All-Purpose Fund	460430 Parks	000017 TOTAL SCREEN DESIGN	PARKS-SAFETY SHIRTS	342.17
1000 General All-Purpose Fund	460430 Parks	000026 POLSON AUTO PARTS, INC.	PARKS-HEADLIGHT BULB	5.60
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-CITY PARKS	418.87
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-KERR DAM/BB FI	2.13
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-SACAJAWEA PARK	9.07
1000 General All-Purpose Fund	460430 Parks	000011 MISSION VALLEY POWER	PARKS-1ST ST E WTR S	47.76
1000 General All-Purpose Fund	460430 Parks	4605 THIRD EYE TECHNOLOGIES,	PARKS-AVG LICENSE UP	67.34
1000 General All-Purpose Fund	460430 Parks	4934 LAKE COUNTY PLANNING	PARKS-FILING FEES MO	56.50
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-MARKING WHITE	11.98
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-RENTAL POSTAUG	92.40
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-ASST PRODUCT	4.09
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-PORTLAND PLT 9	67.65
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-PORTLAND PLT 9	-40.59
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-3/4" 4X8 OSB	37.98
1000 General All-Purpose Fund	460430 Parks	000034 WESTERN BUILDING CENTER	PARKS-FENCE, CITADL	74.97
1000 General All-Purpose Fund	460430 Parks	4895 8x8, INC.	PARKS-TELEPHONE SERV	58.30
Total for Fund:				13,120.64
2020 Police Municipal Services	420140 Crime Control and	3025 FIRST BANKCARD	POLICE-LITHIUM ION B	125.99
2020 Police Municipal Services	420140 Crime Control and	2888 MISSION VALLEY SECURITY	POLICE-ON SITE SERVI	65.00
2020 Police Municipal Services	420140 Crime Control and	001071 ST. PATRICK HOSPITAL	POLICE-215CR0016463	531.00
Total for Fund:				721.99
2210 Parks/Salish Point	460430 Parks	999999 US HOLE IN ONE	PARKS-HOLE IN ONE CO	235.00
Total for Fund:				235.00
2310 Tax Increment District	470210 Administration	4668 GLACIER BANK	PRA-TIF BOND R-6 PAY	5,846.55
2310 Tax Increment District	470210 Administration	4668 GLACIER BANK	PRA-TIF BOND R-6 PAY	2,135.28
2310 Tax Increment District	470210 Administration	4636 EAGLE BANK	PRA-TIF BOND R-2 PAY	5,846.55
2310 Tax Increment District	470210 Administration	4636 EAGLE BANK	PRA-TIF BOND R-2 PAY	2,135.28
2310 Tax Increment District	470210 Administration	000357 FIRST CITIZENS BANK	PRA-TIF BOND R-3 PAY	5,846.55
2310 Tax Increment District	470210 Administration	000357 FIRST CITIZENS BANK	PRA-TIF BOND R-3 PAY	2,135.28
2310 Tax Increment District	470210 Administration	000231 FIRST INTERSTATE BANK	PRA-TIF BOND R-4 PAY	5,846.55
2310 Tax Increment District	470210 Administration	000231 FIRST INTERSTATE BANK	PRA-TIF BOND R-4 PAY	2,135.28
2310 Tax Increment District	470210 Administration	4823 VALLEY BANK OF RONAN	PRA-TIF BOND R-5 PAY	5,846.55
2310 Tax Increment District	470210 Administration	4823 VALLEY BANK OF RONAN	PRA-TIF BOND R-5 PAY	2,135.28
Total for Fund:				39,909.15
2394 Building Code Enforcement	420500 Protective Inspections	4605 THIRD EYE TECHNOLOGIES,	BUILDING-AVG LICENSE	67.34
2394 Building Code Enforcement	420500 Protective Inspections	2074 VERIZON WIRELESS	BUILDING-CELL PHONE	32.41
2394 Building Code Enforcement	420500 Protective Inspections	2238 DEPARTMENT OF LABOR AND	BLDG-FND ASSMNT 7/1/	437.99
2394 Building Code Enforcement	420500 Protective Inspections	3025 FIRST BANKCARD	BLDG-BOOK	31.64
2394 Building Code Enforcement	420500 Protective Inspections	4895 8x8, INC.	BUILDING-TELEPHONE S	29.15
Total for Fund:				598.53

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
2401 Light Maintenance	430263 Street Lighting	000011 MISSION VALLEY POWER	FACILITIES-ST LGHTS	1,366.61
			Total for Fund:	1,366.61
2402 Light Maintenance	430263 Street Lighting	000011 MISSION VALLEY POWER	FACILITIES-N END MAI	152.89
2402 Light Maintenance	430263 Street Lighting	000011 MISSION VALLEY POWER	FACILITIES-ST LGHTS	754.40
			Total for Fund:	907.29
2810 Police Training Fund	420140 Crime Control and	4296 JUAN MASO	POLICE-JM TRAVEL MEA	111.00
2810 Police Training Fund	420140 Crime Control and	3025 FIRST BANKCARD	POLICE-JM TRAVEL LOD	350.96
			Total for Fund:	461.96
2820 Gas Apportionment Tax	430240 Road and Street	4813 CUSTOM FABRICATIONS	STREETS-WELD HOLES S	112.50
2820 Gas Apportionment Tax	430240 Road and Street	1860 PIONEER RESEARCH	STREETS-ENVIRO PRO	1,547.75
2820 Gas Apportionment Tax	430240 Road and Street	000026 POLSON AUTO PARTS, INC.	STREETS-WIP SEVER DU	63.54
2820 Gas Apportionment Tax	430240 Road and Street	000026 POLSON AUTO PARTS, INC.	STREETS-PRODUCT RETU	-25.56
2820 Gas Apportionment Tax	430240 Road and Street	000026 POLSON AUTO PARTS, INC.	STREETS-ACCUFIT CONV	22.68
2820 Gas Apportionment Tax	430240 Road and Street	000026 POLSON AUTO PARTS, INC.	STREETS-HOSE, HOSE E	27.88
2820 Gas Apportionment Tax	430240 Road and Street	000026 POLSON AUTO PARTS, INC.	STREETS-CLAMP	8.99
2820 Gas Apportionment Tax	430240 Road and Street	3306 POLSON PROPANE	STREETS-BOTTLE DOCK	11.52
2820 Gas Apportionment Tax	430240 Road and Street	3502 EZ-LINER INDUSTRIES	STREETS-MESH SCREEN,	416.71
2820 Gas Apportionment Tax	430240 Road and Street	000241 NORMONT EQUIPMENT CO.	STREETS-GUTTR BRM, S	2,204.73
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-CRS-2	603.50
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-3/8 CHIPS	109.91
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-CRS-2	1,278.00
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-3/8 CHIPS	316.11
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-CRS-2	908.80
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-3/8 CHIPS	198.20
2820 Gas Apportionment Tax	430240 Road and Street	2547 TREASURE STATE CONCRETE	STREETS-SERVICE CHAR	106.22
			Total for Fund:	7,911.48
2943 RCDI/Growth Policy	420540 Land Use	4835 SANDS SURVEYING, INC	PLANNING-GROWTH POLI	262.50
			Total for Fund:	262.50
5010 Golf Fund	460446 Golf Course -	2323 R & R PRODUCTS, INC.	GOLF MAINT-ROD	55.24
5010 Golf Fund	460446 Golf Course -	4810 PACIFIC POWER GROUP	GOLF MAINT-ASSORTED	349.59
5010 Golf Fund	460446 Golf Course -	000048 MIDLAND IMPLEMENT CO.	GOLF MAINT-ASST TORO	525.05
5010 Golf Fund	460446 Golf Course -	000048 MIDLAND IMPLEMENT CO.	GOLF MAINT-ASST TORO	125.54
5010 Golf Fund	460446 Golf Course -	3025 FIRST BANKCARD	GOLF MAINT-BALL BEAR	268.77
5010 Golf Fund	460446 Golf Course -	3025 FIRST BANKCARD	GOLF MAINT-WIR SET S	199.25
5010 Golf Fund	460446 Golf Course -	000026 POLSON AUTO PARTS, INC.	GOLF MAINT-55 GAL OI	499.00
5010 Golf Fund	460446 Golf Course -	000026 POLSON AUTO PARTS, INC.	GOLF MAINT-WIPER BLA	23.17
5010 Golf Fund	460446 Golf Course -	000011 MISSION VALLEY POWER	GOLF MAINT-GOLF SHED	353.59
5010 Golf Fund	460446 Golf Course -	000011 MISSION VALLEY POWER	GOLF MAINT-25 HP PUM	84.01
5010 Golf Fund	460446 Golf Course -	000011 MISSION VALLEY POWER	GOLF MAINT-60 HP PUM	474.69
5010 Golf Fund	460446 Golf Course -	000011 MISSION VALLEY POWER	GOLF MAINT-155 HP PU	883.35
5010 Golf Fund	460446 Golf Course -	000011 MISSION VALLEY POWER	GOLF MAINT-BAYVIEW P	1,351.76
5010 Golf Fund	460446 Golf Course -	2074 VERIZON WIRELESS	GOLF MAINT-CELL PHON	195.93

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5010 Golf Fund	460446 Golf Course -	2466 UNITED LABORATORIES INC	GOLF MAINT-INDUS STR	670.77
5010 Golf Fund	460446 Golf Course -	2094 WILBUR ELLIS COMPANY	GOLF MAINT-COURSE FE	2,181.00
5010 Golf Fund	460446 Golf Course -	4933 TURF COMMANDER LLC	GOLF MAINT-VARIETY T	962.35
5010 Golf Fund	460446 Golf Course -	000010 CENTURYLINK	GOLF MAINT-TELEPHONE	157.26
5010 Golf Fund	460446 Golf Course -	1864 CHS/MOUNTAIN WEST	GOLF MAINT-FUEL	635.65
5010 Golf Fund	460446 Golf Course -	1864 CHS/MOUNTAIN WEST	GOLF MAINT-FUEL	580.24
5010 Golf Fund	460446 Golf Course -	1864 CHS/MOUNTAIN WEST	GOLF MAINT-FUEL	588.92
5010 Golf Fund	460446 Golf Course -	000644 CITY OF POLSON WATER	GOLF MAINT-COURSE RE	42.13
5010 Golf Fund	460446 Golf Course -	000644 CITY OF POLSON WATER	GOLF MAINT-COURSE RE	52.54
5010 Golf Fund	460446 Golf Course -	000644 CITY OF POLSON WATER	GOLF MAINT-COURSE RE	125.00
5010 Golf Fund	460446 Golf Course -	000644 CITY OF POLSON WATER	GOLF MAINT-COURSE RE	109.87
5010 Golf Fund	460446 Golf Course -	2547 TREASURE STATE CONCRETE	GOLF MAINT-GREENS SA	954.80
5010 Golf Fund	460446 Golf Course -	000034 WESTERN BUILDING CENTER	GOLF MAINT-EQUIP REN	123.00
5010 Golf Fund	460446 Golf Course -	4895 8x8, INC.	GOLF MAINT-TELEPHONE	29.15
5010 Golf Fund	460447 Golf Course - Pro Shop	4912 CAMERON MILTON, PGA	GOLF PRO-PROMO GOLF	140.00
5010 Golf Fund	460447 Golf Course - Pro Shop	000011 MISSION VALLEY POWER	GOLF PRO-DOWNSTAIRS	193.37
5010 Golf Fund	460447 Golf Course - Pro Shop	3025 FIRST BANKCARD	GOLF PRO- ADVERTISIN	40.00
5010 Golf Fund	460447 Golf Course - Pro Shop	000011 MISSION VALLEY POWER	GOLF PRO-PRO SHOP/ST	224.76
5010 Golf Fund	460447 Golf Course - Pro Shop	000010 CENTURYLINK	GOLF PRO-TELEPHONE S	163.22
5010 Golf Fund	460447 Golf Course - Pro Shop	000644 CITY OF POLSON WATER	GOLF PRO-WATER	259.50
5010 Golf Fund	460447 Golf Course - Pro Shop	4895 8x8, INC.	GOLF PRO-TELEPHONE S	29.15
5010 Golf Fund	460448 Golf Course - Carts	1864 CHS/MOUNTAIN WEST	GOLF PRO-FUEL	481.48
5010 Golf Fund	460448 Golf Course - Carts	1864 CHS/MOUNTAIN WEST	GOLF PRO-FUEL	447.99
5010 Golf Fund	460448 Golf Course - Carts	1864 CHS/MOUNTAIN WEST	GOLF PRO-FUEL	241.32
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-FOOD SUPPL	417.25
5010 Golf Fund	460450 Golf Course Restaurant	4754 PEPSI-COLA BOTTLING OF	GOLF REST-ASST BEVER	114.70
5010 Golf Fund	460450 Golf Course Restaurant	4754 PEPSI-COLA BOTTLING OF	GOLF REST-PRODUCT RE	-22.60
5010 Golf Fund	460450 Golf Course Restaurant	4754 PEPSI-COLA BOTTLING OF	GOLF REST-ASST BEVER	281.90
5010 Golf Fund	460450 Golf Course Restaurant	4480 SYSCO MONTANA, INC.	GOLF REST-ASST FOOD	628.03
5010 Golf Fund	460450 Golf Course Restaurant	000316 WALLACES GOLF SHOP	GOLF REST-ASST SNACK	188.67
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-FOOD SUPPL	608.06
5010 Golf Fund	460450 Golf Course Restaurant	3427 ZIP BEVERAGE	GOLF REST-ASST BEERS	235.50
5010 Golf Fund	460450 Golf Course Restaurant	4754 PEPSI-COLA BOTTLING OF	GOLF REST-ASST BEVER	179.15
5010 Golf Fund	460450 Golf Course Restaurant	3447 SUMMIT BEVERAGE	GOLF REST-ASST BEER	112.00
5010 Golf Fund	460450 Golf Course Restaurant	4905 GEORGE'S DISTRIBUTING INC	GOLF REST-ASST WINE	25.97
5010 Golf Fund	460450 Golf Course Restaurant	4480 SYSCO MONTANA, INC.	GOLF REST-FOOD SUPPL	503.17
5010 Golf Fund	460450 Golf Course Restaurant	4480 SYSCO MONTANA, INC.	GOLF REST-KITCHEN SU	137.25
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-FOOD SUPPL	893.11
5010 Golf Fund	460450 Golf Course Restaurant	3447 SUMMIT BEVERAGE	GOLF REST-ASSORTED B	432.04
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-FOOD SUPPL	240.06
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-KITCHEN SU	13.48
5010 Golf Fund	460450 Golf Course Restaurant	3233 FOOD SERVICES OF AMERICA	GOLF REST-FOOD PRODU	-20.00
5010 Golf Fund	460450 Golf Course Restaurant	000316 WALLACES GOLF SHOP	GOLF REST-SNACKS	217.45
5010 Golf Fund	460450 Golf Course Restaurant	4754 PEPSI-COLA BOTTLING OF	GOLF REST-ASST BEVER	125.55
5010 Golf Fund	460450 Golf Course Restaurant	3447 SUMMIT BEVERAGE	GOLF REST-ASST BEERS	937.19
5010 Golf Fund	460450 Golf Course Restaurant	3447 SUMMIT BEVERAGE	GOLF REST-JOCKEY BOX	360.00
5010 Golf Fund	460450 Golf Course Restaurant	4480 SYSCO MONTANA, INC.	GOLF REST-KITCHEN SU	59.45
5010 Golf Fund	460450 Golf Course Restaurant	4480 SYSCO MONTANA, INC.	GOLF REST-FOOD SUPPL	381.02
5010 Golf Fund	460450 Golf Course Restaurant	3427 ZIP BEVERAGE	GOLF REST-ASST BEERS	497.50
5010 Golf Fund	460460 G. C. Restaurant O & M	4664 CHARTER COMMUNICATIONS	GOLF REST-TV/INTERNE	95.16
5010 Golf Fund	460460 G. C. Restaurant O & M	3306 POLSON PROPANE	GOLF REST-FUEL	232.69
5010 Golf Fund	460460 G. C. Restaurant O & M	000011 MISSION VALLEY POWER	GOLF REST-T10204 MET	492.89

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5010 Golf Fund	460460 G. C. Restaurant O & M	4605 THIRD EYE TECHNOLOGIES,	GOLF REST-AVG LICENS	67.34
5010 Golf Fund	460460 G. C. Restaurant O & M	999999 DOUG DENTON	GOLF REST-ENTERTAINM	550.00
5010 Golf Fund	460460 G. C. Restaurant O & M	4809 CITY OF POLSON	GRATUITY - MSU TOURN	210.00
5010 Golf Fund	460460 G. C. Restaurant O & M	000010 CENTURYLINK	GOLF REST-TELEPHONE	124.06
5010 Golf Fund	460460 G. C. Restaurant O & M	000644 CITY OF POLSON WATER	GOLF REST-WATER	259.50
Total for Fund:				24,399.95
5210 Water Fund	214100 Refunds Payable	999999 ELIZABETH SHEPARD	WATER-DEP RFND ACCT	142.57
5210 Water Fund	214100 Refunds Payable	999999 ROLF HARMSSEN	WATER-DEPOSIT REFUND	39.67
5210 Water Fund	214100 Refunds Payable	999999 RISING WOLF TRADERS	WATER-DEP REFUND	38.25
5210 Water Fund	214100 Refunds Payable	999999 USDA/RURAL DEVELOPMENT	WATER-DEPOSIT REFUND	33.13
5210 Water Fund	214100 Refunds Payable	999999 JENNIFER COLLVER	WATER-DEPOSIT REFUND	33.00
5210 Water Fund	214100 Refunds Payable	999999 MONTE LOTT	WATER-DEPOSIT REFUND	33.00
5210 Water Fund	214100 Refunds Payable	999999 KATIE REILLEY	WATER-DEPOSIT REFUND	33.00
5210 Water Fund	214100 Refunds Payable	999999 FRANK STANGER	WATER-DEPOSIT REFUND	33.00
5210 Water Fund	214100 Refunds Payable	999999 GERALDINE JESSICA	WATER-DEPOSIT REFUND	31.48
5210 Water Fund	214100 Refunds Payable	999999 KAREN COLBERT	WATER-DEPOSIT REFUND	21.95
5210 Water Fund	214100 Refunds Payable	999999 PATTY IZZI	WATER-DEPOSIT REFUND	18.64
5210 Water Fund	214100 Refunds Payable	999999 MICHAEL & FRANCY MOLL	WATER-DEPOSIT REFUND	18.53
5210 Water Fund	214100 Refunds Payable	999999 CAMIE CORLEY	WATER-DEPOSIT REFUND	18.26
5210 Water Fund	214100 Refunds Payable	999999 AMY MORGAN	WATER-DEPOSIT REFUND	17.02
5210 Water Fund	214100 Refunds Payable	999999 JESSE JOHNSTON	WATER-DEPOSIT REFUND	15.93
5210 Water Fund	214100 Refunds Payable	999999 CHERYL DRAPER	WATER-DEPOSIT REFUND	14.94
5210 Water Fund	214100 Refunds Payable	999999 ALLYSEN JONES	WATER-DEPOSIT REFUND	12.63
5210 Water Fund	214100 Refunds Payable	999999 ROBERTA LUKE	WATER-DEPOSIT REFUND	8.01
5210 Water Fund	214100 Refunds Payable	999999 TIMOTHY & JEANNE MCKENNA	WATER-DEPOSIT REFUND	7.00
5210 Water Fund	214100 Refunds Payable	999999 STEVEN CHAPMAN	WATER-DEPOSIT REFUND	6.93
5210 Water Fund	214100 Refunds Payable	999999 JESSIE FAHLGREN	WATER-DEPOSIT REFUND	6.11
5210 Water Fund	214100 Refunds Payable	999999 G EDWARD DEAN	WATER-DEPOSIT REFUND	5.00
5210 Water Fund	214100 Refunds Payable	999999 RUSSEL WEST	WATER-DEPOSIT REFUND	5.00
5210 Water Fund	214100 Refunds Payable	999999 NEW WEST INVESTMENTS LLC	WATER-DEPOSIT REFUND	3.87
5210 Water Fund	214100 Refunds Payable	999999 PARTNERSHIP FOR CHILDREN	WATER-DEPOSIT REFUND	3.87
5210 Water Fund	214100 Refunds Payable	999999 GARY & TAMMY HIRSCH	WATER-DEPOSIT REFUND	3.47
5210 Water Fund	214100 Refunds Payable	999999 WADE SCHULTZ	WATER-DEPOSIT REFUND	3.04
5210 Water Fund	214100 Refunds Payable	999999 STACIE DEHART	WATER-DEPOSIT REFUND	2.50
5210 Water Fund	214100 Refunds Payable	999999 SANDRA HENDERSON	WATER-DEPOSIT REFUND	2.40
5210 Water Fund	214100 Refunds Payable	999999 ENEAS HAMMER	WATER-DEPOSIT REFUND	2.17
5210 Water Fund	214100 Refunds Payable	999999 JUDITY ALLEN	WATER-DEPOSIT REFUND	1.52
5210 Water Fund	214100 Refunds Payable	999999 DAVE TUBB	WATER-DEPOSIT REFUND	1.35
5210 Water Fund	214100 Refunds Payable	999999 CLAIRE IGOE	WATER-DEPOSIT REFUND	1.05
5210 Water Fund	430500 Water Utilities	4605 THIRD EYE TECHNOLOGIES,	WATER-AVE LICENSE UP	67.34
5210 Water Fund	430500 Water Utilities	4895 8x8, INC.	WATER-TELEPHONE SERV	50.53
5210 Water Fund	430500 Water Utilities	3068 WALMART COMMUNITY CREDIT	WATER-SHOP SUPPLIES	20.92
5210 Water Fund	430530 Source of Supply and	000011 MISSION VALLEY POWER	WATER-715 7TH AVE W	104.37
5210 Water Fund	430530 Source of Supply and	000011 MISSION VALLEY POWER	WATER-WELLS, BOOSTER	3,915.51
5210 Water Fund	430530 Source of Supply and	000011 MISSION VALLEY POWER	WATER-RIVERSIDE LIFT	12.14
5210 Water Fund	430530 Source of Supply and	000011 MISSION VALLEY POWER	WATER-RIVERSIDE RSTR	12.87
5210 Water Fund	430530 Source of Supply and	4074 APPLIED WATER CONSULTING	WATER-SERVICES JULY	6,046.84
5210 Water Fund	430530 Source of Supply and	000011 MISSION VALLEY POWER	WATER-WELLS 6 & 7	1,731.72
5210 Water Fund	430540 Purification and	000241 NORMONT EQUIPMENT CO.	WATER-ASST BRMS & HA	1,545.60
5210 Water Fund	430550 Transmission and	2007 UTILITIES UNDERGROUND	WATER-UTIL LOCATES J	29.83

For doc #s from 121717 to 121922

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5210 Water Find	430550 Transmission and	3260 ANDERSON MONTGOMERY	WATER-INV #9 DWTWN W	14,206.97
5210 Water Find	430550 Transmission and	4507 MT WATERWORKS, LLC	WATER-VACUUM BREAKER	143.76
5210 Water Find	430550 Transmission and	4472 PR DIAMOND PRODUCTS, INK.	WATER-DUCTILE PIPE D	263.00
5210 Water Find	430550 Transmission and	000026 POLSON AUTO PARTS, INC.	WATER-FILTERS, TOGGL	40.41
5210 Water Find	430550 Transmission and	000026 POLSON AUTO PARTS, INC.	WATER-NAPA 10W30 OIL	6.02
5210 Water Find	430550 Transmission and	001161 JENSEN BACKHOE INC.	WATER-8"MAIN & CONNE	20,090.87
5210 Water Find	430550 Transmission and	000010 CENTURYLINK	WATER-DIPNSR & W 6&7	217.02
5210 Water Find	430550 Transmission and	000034 WESTERN BUILDING CENTER	WATER-BLDG MATERIALS	86.73
5210 Water Find	430560 Geographical Information	3025 FIRST BANKCARD	WATER-WIRELESS MOUSE	70.66
5210 Water Find	430570 Customer Accounting and	000023 GULL PRINTING	WATER-VEHICLE GRAPHI	40.00
Total for Fund:				49,321.40
5310 Sewer Find	430600 Sewer Utilities	4605 THIRD EYE TECHNOLOGIES,	SEWER-AVG LICENSE UP	67.34
5310 Sewer Find	430600 Sewer Utilities	4895 8x8, INC.	SEWER-TELEPHONE SERV	50.52
5310 Sewer Find	430600 Sewer Utilities	3068 WALMART COMMUNITY CREDIT	SEWER-SHOP SUPPLIES	20.91
5310 Sewer Find	430630 Collection and	000011 MISSION VALLEY POWER	SEWER-715 7TH AVE W	104.37
5310 Sewer Find	430630 Collection and	2007 UTILITIES UNDERGROUND	SEWER-UTIL LOCATES J	29.83
5310 Sewer Find	430630 Collection and	000026 POLSON AUTO PARTS, INC.	SEWER-GLOVES	47.96
5310 Sewer Find	430630 Collection and	000026 POLSON AUTO PARTS, INC.	SEWER-A/TRAN FILTER	10.84
5310 Sewer Find	430630 Collection and	000026 POLSON AUTO PARTS, INC.	SEWER-ATF AND RTV	24.03
5310 Sewer Find	430630 Collection and	000011 MISSION VALLEY POWER	SEWER-PUMP/LIFT STAT	3,804.76
5310 Sewer Find	430630 Collection and	001161 JENSEN BACKHOE INC.	SEWER-RIDGEWATER FUT	34,910.08
5310 Sewer Find	430630 Collection and	000010 CENTURYLINK	SEWER-LAGOON SHOP TE	175.68
5310 Sewer Find	430630 Collection and	000010 CENTURYLINK	SEWER-LAGOON LAB TEL	107.46
5310 Sewer Find	430640 Treatment and Disposal	4769 XYLEM DEWATERING	SEWER-SS SLEEVE IMPE	1,240.66
5310 Sewer Find	430660 Geographical Information	3025 FIRST BANKCARD	SEWER-WIRELESS MOUSE	70.66
5310 Sewer Find	430670 Customer Accounting and	000023 GULL PRINTING	SEWER-VEHICLE GRAPHI	40.00
Total for Fund:				40,705.10
Total:				179,921.60

---

Fund/Account	Amount
1000 General All-Purpose Fund	
101000	\$13,120.64
2020 Police Municipal Services Levy	
101000	\$721.99
2210 Parks/Salish Point	
101000	\$235.00
2310 Tax Increment District	
101000	\$39,909.15
2394 Building Code Enforcement	
101000	\$598.53
2401 Light Maintenance District #19	
101000	\$1,366.61
2402 Light Maintenance District #20	
101000	\$907.29
2810 Police Training Fund	
101000	\$461.96
2820 Gas Apportionment Tax Fund	
101000	\$7,911.48
2943 RCDDI/Growth Policy	
101000	\$262.50
5010 Golf Fund	
101000	\$24,399.95
5210 Water Fund	
101000	\$49,321.40
5310 Sewer Fund	
101000	\$40,705.10
Total:	\$179,921.60

For doc #s from 121923 to 121990

50.

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
1000 General All-Purpose Fund	410360 Municipal Court	3513 COLJ CONFERENCE	COURT-DD CONFERENCE	300.00
1000 General All-Purpose Fund	410360 Municipal Court	2031 DENNIS DEVRIES	COURT-CITY JUDGE CON	1,650.00
1000 General All-Purpose Fund	410360 Municipal Court	4880 ACCESS MONTANA	COURT-INTERNET SERVI	15.00
1000 General All-Purpose Fund	410360 Municipal Court	4356 NATIONAL JUDGES	COURT-JUDGE DEVRIES	90.00
1000 General All-Purpose Fund	410400 Administrative Services	4880 ACCESS MONTANA	ADMIN-INTERNET SERVI	15.00
1000 General All-Purpose Fund	410500 Financial Services	4880 ACCESS MONTANA	FINANCE-INTERNET SER	15.00
1000 General All-Purpose Fund	411100 Legal Services	4820 M RICHARD GEBHARDT	FACILITIES-CONTRCT C	2,000.00
1000 General All-Purpose Fund	411100 Legal Services	4850 MORIGEAU LAW PLLC	FACILITIES-CITY ATTY	2,000.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	4831 COTE AND ASSOCIATES, CPAs	FACILITIES-BAL OF AU	1,336.50
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	4831 COTE AND ASSOCIATES, CPAs	POLSON REDEV AGENCY	1,000.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2234 ACE HARDWARE/ TREMPER'S	FACILITIES-CLEANING	7.98
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	2234 ACE HARDWARE/ TREMPER'S	FACILITIES-CLEANING	15.95
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000080 FLATHEAD NEWSPAPER GROUP	ECON DEV COUNCIL-MEE	190.72
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	000080 FLATHEAD NEWSPAPER GROUP	FACILITY-BUDGET PUBL	42.00
1000 General All-Purpose Fund	411200 Facilities (Shared Costs)	4605 THIRD EYE TECHNOLOGIES,	FACILITIES-CABLES	265.56
1000 General All-Purpose Fund	420140 Crime Control and	4436 LES SCHWAB TIRES	POLICE-K-9 VEH MAINT	14.00
1000 General All-Purpose Fund	420140 Crime Control and	000085 SOUTHSORE VETERINARY	POLICE-ANIMAL IMPOUN	138.00
1000 General All-Purpose Fund	420140 Crime Control and	4880 ACCESS MONTANA	POLICE-INTERNET SERV	15.00
1000 General All-Purpose Fund	420140 Crime Control and	4880 ACCESS MONTANA	POLICE-DEDICATED LIN	57.94
1000 General All-Purpose Fund	420140 Crime Control and	2234 ACE HARDWARE/ TREMPER'S	POLICE-VEHICLE KEYS	81.49
1000 General All-Purpose Fund	420140 Crime Control and	4605 THIRD EYE TECHNOLOGIES,	POLICE-AVG TRAINING,	187.50
1000 General All-Purpose Fund	420140 Crime Control and	4743 WEX BANK	POLICE-FUEL 8/1-31/1	2,666.11
1000 General All-Purpose Fund	420400 Fire Protection and	4880 ACCESS MONTANA	FIRE-INTERNET SERVIC	15.00
1000 General All-Purpose Fund	420400 Fire Protection and	2234 ACE HARDWARE/ TREMPER'S	FIRE-5GAL GAS CAN	34.99
1000 General All-Purpose Fund	420400 Fire Protection and	4743 WEX BANK	FIRE-FUEL 8/1-31/15	542.38
1000 General All-Purpose Fund	420540 Land Use	4458 SHARI A. JOHNSON, PE	PLANNING-MEET W/ POT	73.46
1000 General All-Purpose Fund	420540 Land Use	4458 SHARI A. JOHNSON, PE	PLANNING-GENL SITE D	73.46
1000 General All-Purpose Fund	420540 Land Use	4880 ACCESS MONTANA	PLANNING-INTERNET SE	15.00
1000 General All-Purpose Fund	420540 Land Use	000080 FLATHEAD NEWSPAPER GROUP	PLANNING-CDBGRANT GR	22.00
1000 General All-Purpose Fund	420540 Land Use	4605 THIRD EYE TECHNOLOGIES,	PLANNING-ET UP PLANN	75.00
1000 General All-Purpose Fund	430240 Road and Street	4880 ACCESS MONTANA	STREETS-SATELITE 100	28.97
1000 General All-Purpose Fund	460430 Parks	4880 ACCESS MONTANA	PARKS-INTERNET SERVI	15.00
1000 General All-Purpose Fund	460430 Parks	4880 ACCESS MONTANA	PARKS-SATELITE SERVI	28.97
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-WATER BUBBLE F	85.98
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-RSTP VOICOILENM	59.98
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-FASTENERS	1.74
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-VARIETY PRODUC	26.72
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-SANDPPR, ELBOW	6.77
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-COUPLE	0.99
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-TAPE, CONNECTO	42.75
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-WIRE ROPE CLIP	22.90
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-ACE BAG, 55 GA	19.98
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-TRIGGER NOZZLE	19.98
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-VARIETY PRODUC	4.27
1000 General All-Purpose Fund	460430 Parks	2234 ACE HARDWARE/ TREMPER'S	PARKS-TAPE, ELBOW	4.87
1000 General All-Purpose Fund	460430 Parks	4743 WEX BANK	PARKS-FUEL 8/1-31/15	544.57
1000 General All-Purpose Fund	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-SAC LIGHT PROJ	68.17
Total for Fund:				13,937.65
2210 Parks/Salish Point	460430 Parks	000080 FLATHEAD NEWSPAPER GROUP	PARKS-RQF SKATE PARK	286.08

For doc #s from 121923 to 121990

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
			Total for Fund:	286.08
2214 Rotary Donation	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-SAC LIGHT PROJ	167.06
			Total for Fund:	167.06
2219 Parks Donations	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-SAC LIGHT PROJ	1,024.69
2219 Parks Donations	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-1% CGR	-13.45
2219 Parks Donations	460430 Parks	4425 DEPARTMENT OF REVENUE	PARKS-1% CGR SAC LGH	13.45
			Total for Fund:	1,024.69
2222 Park Donations -	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-SAC LIGHT PROJ	85.32
2222 Park Donations -	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-INTERP SIGN PR	2,952.41
2222 Park Donations -	460430 Parks	4786 McCRUMB CONSTRUCTION,	PARKS-1% CGR	-29.52
2222 Park Donations -	460430 Parks	4425 DEPARTMENT OF REVENUE	PARKS-1% CGR	29.52
			Total for Fund:	3,037.73
2350 Local Government Study	411870 Local Government Review	000080 FLATHEAD NEWSPAPER GROUP	LOC GOV-LOCAL GOV RE	10.50
			Total for Fund:	10.50
2394 Building Code Enforcement	420500 Protective Inspections	4880 ACCESS MONTANA	BUILDING-INTERNET SE	15.00
2394 Building Code Enforcement	420500 Protective Inspections	4605 THIRD EYE TECHNOLOGIES,	BUILDING-TROUBLESHOOT	37.50
2394 Building Code Enforcement	420500 Protective Inspections	4743 WEX BANK	BUILDING-FUEL 8/1-31	54.05
			Total for Fund:	106.55
2395 Tree Fund	480150 Tree Conservation	000011 MISSION VALLEY POWER	PARKS-SPORTS CMLPX,	30.96
			Total for Fund:	30.96
2820 Gas Apportionment Tax	430240 Road and Street	2234 ACE HARDWARE/ TREMPER'S	STREETS-KEY	3.00
2820 Gas Apportionment Tax	430240 Road and Street	2234 ACE HARDWARE/ TREMPER'S	STREETS-STOVE GASKET	3.58
2820 Gas Apportionment Tax	430240 Road and Street	2234 ACE HARDWARE/ TREMPER'S	STREETS-MINI WIRE BR	4.99
2820 Gas Apportionment Tax	430240 Road and Street	2234 ACE HARDWARE/ TREMPER'S	STREETS-VARIETY PROD	60.94
2820 Gas Apportionment Tax	430240 Road and Street	2234 ACE HARDWARE/ TREMPER'S	STREETS-RUBBER SPNG	6.49
2820 Gas Apportionment Tax	430240 Road and Street	4743 WEX BANK	STREETS-FUEL 8/1-31/	603.15
			Total for Fund:	682.15
2953 NW Drug Task Force	420140 Crime Control and	4868 NORTHWEST DRUG TASK FORCE	POLICE-LOCAL MATCH 1	11,917.42
			Total for Fund:	11,917.42
5010 Golf Fund	214600 Retainage Payable	4929 BJORN JOHNSON	GOLF PRO-GOLF CAR RE	-1,750.00
5010 Golf Fund	460446 Golf Course -	4298 BLUE TARP FINANCIAL, INC	GOLF MAINT-25 FT GAU	340.96
5010 Golf Fund	460446 Golf Course -	4880 ACCESS MONTANA	GOLF MAINT-INTERNET	77.94
5010 Golf Fund	460446 Golf Course -	2234 ACE HARDWARE/ TREMPER'S	GOLF MAINT-BOX FAN	16.99
5010 Golf Fund	460446 Golf Course -	2234 ACE HARDWARE/ TREMPER'S	GOLF MAINT-POPOUP SPR	41.97

For doc #s from 121923 to 121990

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5010 Golf Fund	460446 Golf Course -	2234 ACE HARDWARE/ TREMPER'S	GOLF MAINT-SOLAR AA	15.98
5010 Golf Fund	460446 Golf Course -	2234 ACE HARDWARE/ TREMPER'S	GOLF MAINT-BULB-DEC	3.99
5010 Golf Fund	460446 Golf Course -	2234 ACE HARDWARE/ TREMPER'S	GOLF MAINT-ENGINE OI	46.99
5010 Golf Fund	460446 Golf Course -	4849 JOHN DEERE FINANCIAL	GOLF MAINT-ASSORTED	139.97
5010 Golf Fund	460447 Golf Course - Pro Shop	4458 SHARI A. JOHNSON, PE	GOLF PRO-CART STORAG	2,681.33
5010 Golf Fund	460447 Golf Course - Pro Shop	000076 LINK'S MANAGEMENT, INC.	GOLF PRO-PRO CONTRCT	9,932.98
5010 Golf Fund	460447 Golf Course - Pro Shop	4395 ANDERSON	GOLF PRO-ADVERTISEME	112.00
5010 Golf Fund	460447 Golf Course - Pro Shop	2234 ACE HARDWARE/ TREMPER'S	GOLF PRO-ACE BAG, GLS	53.94
5010 Golf Fund	460447 Golf Course - Pro Shop	2234 ACE HARDWARE/ TREMPER'S	GOLF PRO-ELEC BALLAS	3.00
5010 Golf Fund	460447 Golf Course - Pro Shop	2234 ACE HARDWARE/ TREMPER'S	GOLF PRO-ASSORT CLNG	36.52
5010 Golf Fund	460447 Golf Course - Pro Shop	2234 ACE HARDWARE/ TREMPER'S	GOLF PRO-ELE BALLAST	81.16
5010 Golf Fund	460447 Golf Course - Pro Shop	4929 BJORN JOHNSON	GOLF PRO-GOLF CAR PR	35,000.00
5010 Golf Fund	460447 Golf Course - Pro Shop	4929 BJORN JOHNSON	GOLF PRO-GOLF CAR 1%	-332.50
5010 Golf Fund	460447 Golf Course - Pro Shop	4425 DEPARTMENT OF REVENUE	GOLF PRO-1% CGR GOLF	332.50
Total for Fund:				46,835.72
5210 Water Fund	430500 Water Utilities	4880 ACCESS MONTANA	WATER-INTERNET SERVI	15.00
5210 Water Fund	430500 Water Utilities	4880 ACCESS MONTANA	WATER-SATELITE 715 7	38.97
5210 Water Fund	430540 Purification and	000101 MONTANA ENVIRONMENTAL	WATER-CHLRN FREE	96.00
5210 Water Fund	430540 Purification and	000101 MONTANA ENVIRONMENTAL	WATER-LAB TRIHALOMET	900.00
5210 Water Fund	430550 Transmission and	4820 M RICHARD GEBHARDT	WATER-JUL DWNTWN WAT	135.00
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-TUBING, POLY	8.12
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-ECO WASP/HORNE	14.48
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-HOSE MENDER, H	7.17
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-PRODUCT RETURN	-0.80
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-ROUND PT SHOVE	9.99
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-SHOVELS	8.00
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-COVER SQ, BOX	4.98
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-CHALKLINE REEL	8.99
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-VARIETY PRODUC	200.70
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-VARIETY PRODUC	36.98
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-AAA BATTERY PA	13.99
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-PINTLE HOOK, B	114.98
5210 Water Fund	430550 Transmission and	2234 ACE HARDWARE/ TREMPER'S	WATER-LOCK ENTRY ACC	54.99
5210 Water Fund	430550 Transmission and	4743 WEX BANK	WATERL-FUEL 8/01-31/	267.13
5210 Water Fund	430570 Customer Accounting and	000005 POSTMASTER	WATER-BILLING RESERV	315.00
5210 Water Fund	430570 Customer Accounting and	4006 HD SUPPLY WATERWORKS,	WATER-AUGUST METERS	3,778.68
Total for Fund:				6,028.35
5310 Sewer Fund	430600 Sewer Utilities	4880 ACCESS MONTANA	SEWER-INTERNET SERVI	15.00
5310 Sewer Fund	430600 Sewer Utilities	4880 ACCESS MONTANA	SEWER-SATELITE 715 7	38.97
5310 Sewer Fund	430630 Collection and	4458 SHARI A. JOHNSON, PE	SEWER-SEWER REPLACEM	73.46
5310 Sewer Fund	430630 Collection and	4458 SHARI A. JOHNSON, PE	SEWER-SEWER BACKUPS	1,248.83
5310 Sewer Fund	430630 Collection and	4756 J&M TRANSPORTATION	SEWER-COURIER SERVIC	36.00
5310 Sewer Fund	430630 Collection and	4756 J&M TRANSPORTATION	SEWER-COURIER SERVIC	36.00
5310 Sewer Fund	430630 Collection and	4756 J&M TRANSPORTATION	SEWER-COURIER SERVIC	36.00
5310 Sewer Fund	430630 Collection and	4756 J&M TRANSPORTATION	SEWER-COURIER SERVIC	36.00
5310 Sewer Fund	430630 Collection and	000011 MISSION VALLEY POWER	SEWER-WEST SHORE	147.44
5310 Sewer Fund	430630 Collection and	2234 ACE HARDWARE/ TREMPER'S	SEWER-HEX KEY KIT	21.99
5310 Sewer Fund	430630 Collection and	2234 ACE HARDWARE/ TREMPER'S	SEWER-FASTENERS	1.49

09/03/15  
15:43:53

City of Polson  
Claim Details by Fund, Account  
For the Accounting Period: 9/15

Page: 4 of 5  
Report ID: AP100Z

For doc #s from 121923 to 121990

Fund	Department Name (Account)	Vendor #/Name	Description	Amount
5310 Sewer Fund	430630 Collection and	000080 FLATHEAD NEWSPAPER GROUP	SEWER-BID ADS	287.36
5310 Sewer Fund	430630 Collection and	4743 WEX BANK	SEWER-FUEL 08/01-31/	726.61
5310 Sewer Fund	430630 Collection and	000101 MONTANA ENVIRONMENTAL	SEWER-LAB BOD	47.00
5310 Sewer Fund	430630 Collection and	000101 MONTANA ENVIRONMENTAL	SEWER-AMMON, BOD, CO	187.00
5310 Sewer Fund	430630 Collection and	000101 MONTANA ENVIRONMENTAL	SEWER-LAB BOD	47.00
5310 Sewer Fund	430630 Collection and	000101 MONTANA ENVIRONMENTAL	SEWER-BOD NITRATE	133.00
5310 Sewer Fund	430640 Treatment and Disposal	4458 SHARI A. JOHNSON, PE	SEWER-WWTP SERVICES	73.46
5310 Sewer Fund	430640 Treatment and Disposal	4820 M RICHARD GEBHARDT	SEWER-SWR TREATMENT	520.00
5310 Sewer Fund	430670 Customer Accounting and	000005 POSTMASTER	SEWER-BILLING RESERV	315.00
5310 Sewer Fund	430670 Customer Accounting and	4006 HD SUPPLY WATERWORKS,	SEWER-AUGUST METERS	3,778.68
			Total for Fund:	7,806.29
			Total:	91,871.15

---

Fund/Account	Amount
1000 General All-Purpose Fund	
101000	\$13,937.65
2210 Parks/Salish Point	
101000	\$286.08
2214 Rotary Donation	
101000	\$167.06
2219 Parks Donations	
101000	\$1,024.69
2222 Park Donations - Restricted	
101000	\$3,037.73
2350 Local Government Study Commission	
101000	\$10.50
2394 Building Code Enforcement	
101000	\$106.55
2395 Tree Fund	
101000	\$30.96
2820 Gas Apportionment Tax Fund	
101000	\$682.15
2953 NW Drug Task Force	
101000	\$11,917.42
5010 Golf Fund	
101000	\$46,835.72
5210 Water Fund	
101000	\$6,028.35
5310 Sewer Fund	
101000	\$7,806.29
<b>Total:</b>	<b>\$91,871.15</b>

# CITY OF POLSON CITY COMMISSION MEETING

5d.

Commission Chambers

August 17, 2015

7:00 p.m.

**ATTENDANCE:** Mayor Heather Knutson, Commissioners Campbell, Donovan, Siler, and Turner.  
City Manager Mark Shrives, City Clerk Cora Pritt

**ABSENT:** Commissioners Erickson and Southerland

**OTHERS PRESENT** (who voluntarily signed in): Lake County Commissioner Ann Brower, Dave DeGrandpre, Elsa Duford, Lita Fonda, Sam Jacobson, Mike Lies, Bonnie Manicke, Polson Police Chief Wade Nash, Roger Noble, Kitty Pedersen, Trudy Pedersen, and Polson Water/Sewer Superintendent Tony Porrazzo.

**CALL TO ORDER: (00:03)** Mayor Knutson called the meeting to order. The Pledge of Allegiance was recited. Roll call was taken.

**APPROVAL OF PROPOSED AGENDA (00:52) - Commissioner Turner motion to approve the proposed agenda. Commissioner Donovan second.** City Commission discussion: none Public comment: none **VOTE: Unanimous Motion carried**

**PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC NOT ON THE AGENDA (1:22)-none**

**CONSENT AGENDA (1:50) - (a).** Additional June 2015 Claims (b). August 1-13, 2015 Claims, (c) City Commission Meeting Minutes August 3, 2015, (d). Annual Contract Renewals; City Attorney and Assistant City Attorney (e). Jensen Skyview Phase II Subdivision Time Extension. **Commissioner Campbell motion to approve the Consent Agenda. Commissioner Siler second.** City Commission discussion: none Public Comment: **Elsa Duford** commented that the Condition of Approval that was missing from the report submitted by Johna Morrison for Ridgewater Dr was not included in the minutes. It is Condition #48, "The 15<sup>th</sup> Ave East connection is not to be used. Added by the City Commission on May 2," It goes on to state that Phase VI does not touch the 15<sup>th</sup> Ave E. connection. Commission Siler commented that there is a permanent barrier put there and that there is no intention of coming onto 15<sup>th</sup>. **VOTE: Unanimous Motion carried**

**CITY MANAGER COMMENTS (4:34) –** City Manager Shrives commented on the following: City Manager Shrives read a letter from the State of Montana Attorney General thanking Patrol Officer Juan Maso for his participation in the recent Junior Youth Leadership Police Academy held at the Police Academy in Helena, MT. There were Super Wal-Mart Final Subdivision binders distributed to the Commission. This is for a future meeting, but wanted to give the Commission ample time to review the documents. Reminder about the Economic Development Council Public Hearing on Wednesday, August 19, 2015 at 6:30 p.m. in the Polson Middle School lunchroom. City Manager Shrives asked City Finance Officer Cindy Dooley to speak regarding the Certified Values. The Certified Values were received from the State of Montana Department of Revenue. This figure is used in preparing the City budget. The City has 30 days after the date of the Certified Values to adopt a budget. The budget must be adopted by the first Thursday after the first Tuesday. So, the budget this year will need to be adopted by September 3, 2015. This year the City received \$17,000.00 in newly taxable. The City has challenged this figure. If the City is re-certified, then the City will have 30 days from the date of re-certification to adopt a final budget.

**OATH OF OFFICE POLSON POLICE OFFICER GEORGE W. SIMPSON (16:55)**-Mayor Knutson administered the Oath of Office for the City of Polson Police Officer Simpson.

**SPECIAL USE PERMIT #15-04 St. LUKE MEDICAL CLINIC (20:53)** - Contract Planner Erica Wirtala presented this agenda item. This is a Convenient Care Medical Physical Therapy Outpatient facility. Located on Lot 4C Ridgewater Phase I. The hours of operation will be 7:00 a.m.-6:00 p.m. Monday thru Saturday. There will be 4 employees per shift. Staff recommends approval with 18 Conditions. The City County Planning Board recommended approval unanimously. **Commissioner Turner motion to approve the Special Use Permit request for a Convenient Care/Physical Therapy facility on behalf of St. Luke's healthcare along with the Conditions of Approval as described in the attached staff report. Commissioner Campbell second.** City Commission discussion: none Public Comment: none **VOTE: Unanimous Motion carried.**

**SPECIAL USE PERMIT #15-06 FRE POLSON, LLC-DIALYSIS CLINIC (26:44)** - Contract Planner Erica Wirtala presented this agenda item. This will be a Dialysis medical facility. Located on Lot 17C, Ridgewater, Phase VI. There will be retention ponds constructed on the property. The days of operation will be Monday, Wednesday, and Friday to begin with. Tuesday and Thursday will be set aside to do paperwork. Eventually the facility will go to dialysis five days a week. Staff and the City County Planning Board recommends approval with 18 Conditions of Approval plus an additional Condition #19 that was added by the City County Planning Board. That condition reads: "All medical waste, including water waste, must be disposed of in the proper manner as called out by Federal Requirements." **Commissioner Donovan motion to approve the Special Use Permit request for a Dialysis clinic on behalf of FRE Polson, LLC along with the Conditions of Approval as described in the attached staff report and to include additional Condition #19 All medical waste, including water waste, must be disposed of in the proper manner as called out by State and Federal Requirements. Commissioner Turner second.** City Commission discussion: none Public Comment: **Dennis Duty** asked if the waste water was to include medical waste water. Contract Planner Wirtala answered that yes it would include medical waste water. **Mayor Knutson amended the motion to read Medical waste water. VOTE: Unanimous Motion carried**

**POLSON DEVELOPMENT CODE UPDATE (36:48)** -City Manager Mark Shrives introduced Dave DeGrandpre, Land Solutions, LLC, who presented the Development Code update. Dave DeGrandpre will be discussing the options that are available to the City. Polson Development Code is the set of rules and zoning regulations for the City of Polson and the outlying area that is adjacent to the City limits but in the County. This document was adopted in 1993. The document has been successfully used up until now. There seems to be some hesitancy from the County on the proposed changes. There is a new County Planning Director and newly elected County Commissioners. The County staff want to make certain that they are doing it right and being very thorough and appropriately. The City has a couple of options right now. The City can move this forward on a unilateral bases meaning form a City Planning Board and remove all the references to the County from the Polson Development Code (PDC). The City map would only include the City limits and the Polson Development Code would only reference the City. It would become a municipal code as opposed to a City/County code. In order to do this, there would need to be some revisions completed. This current revision was started in 2010. The committee has worked long hours and there were County and City representatives on the committee. The other option would be to work with the County to make it move along. There does need to be an end point to this project. In terms of pros and cons; ideally there would be a City /County code. This is to protect the City's interest. It allows for one set of uniform rules as the City grows. It also allows the development community to know what the rules are. Also, there is the City/County Planning Board for communication, discussions about growth and development. Dave recommended that the City ask the County for clarification as to what the issues are that they are working through and seek a commitment to try and resolve those issues in a timely

manner. If that can't be done, for whatever reason, then the suggestion is to just move ahead. Ideally it would be good to give it one more try and seek a commitment to making it happen relatively quickly. Commissioner Turner asked how long until the Code is completed. Dave DeGrandpre answered that if we went forward only as a City then the document could be completed and adopted by the end of the year. A letter would need to be written to the County letting them know that the City is abandoning the City/County Planning Board. The County then decides if they want to keep the City/County Planning Board. The text, charts, and maps would then need to be amended, a new City Planning Board would then be appointed and then it would be completed by the end of the year. If you maintain the City/County arrangement that would mean working with the County. That option would be more expensive. It would be cheaper and quicker to go unilateral. In the long run it would be better to have a City/County arrangement. Commissioner Turner asked if there were any issues regarding the properties being so inner mingled. Would this work for or against the City if we went our own way. Dave DeGrandpre responded it would just be the way it is. It wouldn't matter that much. Commissioner Campbell commented on the services all the people will need that live in the County area adjacent to the City. An example, sewer service is dealt with one way in the County and another in the City. Commissioner Campbell commented that in the fringe areas that type of planning needs to happen together. Wells and drain fields would be popping up on properties that are large enough. Commissioner Campbell stated that we need the cooperation if at all possible. Mayor Knutson asked what the process would be should the City separate, those areas would then be under County, and then those areas would want to annex into the City. The cost would be on the owners to come into line with the regulations of the City at that time. Mayor Knutson asked Dave DeGrandpre if that was a correct assumption if that is what happens. Dave DeGrandpre confirmed that yes that is what would happen. The City would end up working with individual lot owners to try and get things accomplished. There would need to be Improvement Districts formed for streets, sidewalks, water, and sewer. It is more problematic. It is better to plan development up front, get the City specs, right-of-ways, ahead of time. From a Planning and Management perspective that is the better way to do it. Commissioner Turner asked what it would take financially to finish this thing off. Dave DeGrandpre answered with Plan A, only a City Code, it will take up to 50 hours, approximately \$4,000.00 and the adoption process. The adoption process would be a least one hearing before the Planning Board. They would make a recommendation to the Commission. There would need to be a couple of hearings before the adoption, so it will be less than \$10,000.00. Plan B is unknown. Since the City doesn't know what the conditions are that the County has then the time and cost is unknown. It should still be under \$10,000.00. City Manager Shrives commented that there is approximately \$3,000.00 left in the budget for the overall project. In going over the budget, there is an additional \$2,000.00 that can be added. At this point in time, the City has paid the entire bill for this project. Depending on where we go, the City cannot afford to continue to fund this. Whatever the decision that is reached, the funding needs to be a part of this project. If we go with just City then we will fund it. We cannot continue to fund the whole thing, City/County. Mayor Knutson commented that Commissioner Brower was invited to address the Commission and share information. County Commissioner Ann Brower, "While I understand the frustration, I am not in any way going to minimize or belittle the frustration with the time that this process is taking. I would hope to ask for your consideration and understanding while it has taken six years for the City and the workshops to get to the point it's at now. The fact that we're taking some time to have our MACO attorneys look at it. To have our attorneys go through it. To have ourselves and our Planning staff go through it step by step after the point where any changes that were going to be made by the City and the working committee have been made I would hope that you would try to understand the position we're in. We can't adopt something without going through it. Particularly something at this level. It is very important and we agree that is extremely important. While we realize that there's a big push on the time frame, we are making it a priority. We have been meeting weekly with the Planning staff. No, we're not meeting daily with the Planning staff regarding this issue. We are meeting daily regarding other issues but we do have to continue the County business. We can't have those who are coming in for permits that they have to wait because this is the first thing on the list. So this is one of the top priorities. We have this and the density

map as far as the big projects that we're working on. So understand that it's not something that we've pushed aside. It's not something that we're avoiding. We are continuously working on it and weekly at that. As far as one of the questions that was posed by Dave, was whether or not the County truly wants to pursue this. We already decided that last Fall. We went through the public hearings that was already decided. So you know the answer to that question already. Was there anything further as far as that line goes?" Commissioner Turner, "Honestly, what do you think? How long do you think it's going to take you guys? I'm asking because I've been thru this kind of from the beginning. So now that I'm up here, and not involved directly with it, it does seem to be getting long. I completely agree, I want this done correct and done right." County Commissioner Brower, "The stage that we're at right now, one more meeting to go over one more chapter and I think we are in the Design Standards. We have gotten comments from MACO. We've have gotten comments from our Civil Attorneys, whom is missing out on this last piece since we lost him, but we're in the middle of hiring a new one which we won't ask the new one to go through the whole thing. At any rate, so to compile all those comments, everyone's comments are separate, each Commissioner has made comments separate on their own, the Planning staff has made comments, while we've all discussed them, they need to be compiled. So to compile those comments will take some time. There are issues that for us are, if we can't change it to that, we aren't doing it because quite frankly it's not legal. Our legal staff has told us you cannot do this. So, there's certain things that we would have to see changed. The City would have to agree to change in order for us to adopt it. There's other things that are negotiable items. Things that as the County Commissioners, we don't like to see our County residences subjected to period. As City, which is a different story than County, as City I can see why those design standards would be applicable. So coming to terms on some of those things, time frames would be just that. Meeting over these issues, discussing which way to go, are they deal breakers or not, and in who's mind. That's always a big key thing. So that time frame would depend upon all of that. So getting the comments together isn't going to happen overnight. We do have to have her working on other things also, but as soon as she can get those comments compiled we'll send them to you guys, who can disperse them to Dave or whomever you would like. Then you can go over them. We can decide what ones need to be met. What ones you can agree without even dealing with anything such as, you know, zoning issues, going to the Board of Adjustments, instead of the City/County Planning Board. Those types of things are one of the things that is non-negotiable. They have to go to the Board of Adjustments and not to the City/County Planning Board. So that's one of the things. That would be a simple yes or no. We can prioritize those things as far as what are non-negotiables in our mind and what aren't. Does that help at all?" Commissioner Campbell, "Yes. That tells me where you are at on this. It's more than before." Mayor Knutson, "On those some of those non-negotiables, are there ways within the Code to identify those separately so that we could still share the Code but have specifically identified County specific regulations versus City? Does that get too complex?" Dave DeGrandpre, "It's certainly possible to do something like that. I would have to see the list. I really don't know specifically what we're talking about in terms of specifics. But yes, certainly. There are ways to differentiate City permitting processes from County if it comes to that. Ideally you have one set of rules but I guess we'll just have to see. To answer your question, the answer is yes. That's the way the Code is actually right now. The County has made some amendments over the years that the City hasn't and vice versa. So that there is some differentiation actually today with the current Polson Development Code." County Commissioner Brower, "And today, the County has not adopted the Design Standards. That's another big difference." Mayor Knutson, "I'm sorry, I'm misunderstanding. You haven't adopted the 1993 Design Standards?" County Commissioner Brower, "The City's Design Standards." City Manager Shrives, "Are we talking about the Montana Public Work Standards?" County Commissioner Brower, "I'm talking about the Design Standards. That's a whole separate booklet that is referred to in the document, the new document often but we have not adopted the City's Design Standards." City Manager Shrives, "That's the Montana Public Work Standards. That's what we've adopted." County Commissioner Brower, "Okay. So we have not and that's a big brand new piece. So as far as some of the things in the past as an example that Dave was referring to that's one of the things that we have not done. That would be a new thing." City Manager Shrives, "So I know you probably can't answer this question but I'll see if you've

had a discussion, is the County prepared to try to help fund this project?" County Commissioner Brower, "We have not had that discussion." City Manager Shrives, "I think that would be an important discussion because that's really where we're at. We can't continue to, the City cannot continue to fund this project. So that would be, I think, a very important piece for the City to understand is how we are going to fund it if we continue doing City/County partnership." County Commissioner Brower, "That answer your question? We haven't had the discussion. I'm not committing to a thing." Mayor Knutson, "Any other question at this point? I would like to open it up to our citizens who are here this evening to see if anyone has any comments to share as well. I think it would be helpful to us to hear more. Thank you we may come back to some more questions as we go here but I would like to invite any of the citizens that are here to please come up and share. Again if you could state for our recording purposes and understanding, state your name, address, or ward that would be great. Thank you." Sam Jacobson, "I am a member of the present Board. I serve on the Planning Board. What's really important to understand from our perspective of serving on the Board at the moment, we had not voted to recommend anything and we don't believe that we have a legal final draft. So everything that we're looking at is dependent upon we're about to complete the Growth Policy, and then we're going to address that. We're going to start to bring it together. There are things in the verbiage in the present thing we know don't work because we haven't completed it so we can make a recommendation and vote on it in a public hearing." Mayor Knutson, "It has not run thru legal yet. Is that what you are saying?" Sam Jacobson, "It has not. Okay. We have not held, the last time we met on this, and it will show up in the minutes from that meeting one year ago, okay, that we did not take a vote because the public hearing had been closed. Okay. We were asked to clarify some of the changes that we definitely were looking at, so the document that you're looking at looks pretty good except we have never gone thru and clarified things. So cross referencing is bad. It's never gone thru legal. We have not voted for a recommendation up or down on that. We have deleted things that were suggested due to public comment, specifically we were talking about extending the code jurisdiction zone north of the bridge. The public spoke vehemently against it and we said fine we're dropping it. We're not going to fight with that. They can do a public utility district or they can come back to us at another time and say we want to join in the code jurisdiction but that's up to the property owners out there. We're not going to buy into problems that the citizens don't want. That was a decision we made at that final meeting we discussed it. Otherwise, everything that we're looking at it is a very rough draft. It is not a final draft and of course there's going to be legal problems in that because it's not been looked at by legal from the City. You are looking at some of that. Okay. That's going to be really useful because we need to look at that stuff too. Any questions for the Planning Board before I go sit down?" Commissioner Turner, "What do you thing the time line is to finish it up?" Sam Jacobson, "I agree with Dave. If we went ahead and did it as a municipal code we'd be finished by the end of the year. I can't speak for the County because I'm not a County representative. They're not telling me and I understand. I understand why they're not giving us a time frame. I agree that we could move forward and that we could have this complete. The Growth Policy will be complete very shortly. Okay. Something we needed to get done anyways. It really should be done before we complete and we have a State mandate to review this thing. We're way overdue. We're way overdue. We need to complete it. I think that part of the urgency on the part of the City is we want to go ahead and follow the State guidelines and get it done. From a Planning perspective, if we go ahead by ourselves it's going to bite us, it's going to bite us in the end. The best planning is when all parties are involved. The best planning is beyond election cycles and beyond current development cycle. The best planning is fifty years out. Okay. We can't even talk about that right now because we haven't got a code completed. So, you know, we, every board member I've talked to wants to get into long term planning. We can't get there without the code. If we drop parts of it and we come back to amend it, we can do that administratively. We can have hearings on that to adopt things and change things within the City boundaries. Of course we can change zoning as we see fit, okay, and then we negotiate with the County in our code jurisdiction zone. That's the way it's supposed to work. The County has different regulations. They do something we don't. We have pretty clear cut water rights. Theirs are a little muddier. We're all a little bit muddy right now where we live but ours are a little bit clearer than the County's is. We definitely have an advantage

with a municipal water system. Planning is working together.” Mayor Knutson, “Thank you. Do I have any other public comment?” **Lee Manicke**, “In January first City Council meeting in January 1909 I was appointed to this committee. The re-write committee. I think that I want this done more than you do collectively. That said, I don’t think going unilaterally is the correct way to do it. I can see that in that case the City can get in a conundrum or trapped into wanting, someone wanting to be annexed into town with a non-conforming use, you don’t a choice other than to probably do it and accept that non-conforming use. It may create some real serious problems. So I think either way the City is going to have some costs to it. Whether they do it unilaterally or continue on the way that it is. It sounds to me like it may even be more if you do it unilaterally. I do agree with Mr. Shrives that the County ought to bear some of the expenses on it because they have caused some of the delays on this and they ought to own up to that. They haven’t contributed to the cost yet and they are involved in their zoning as well as the City’s zoning. So, I think it should continue working with the County trying to resolve the differences and have a joint City/County Planning Board. It’s worked for, supposed to be ten years to review but it’s going on to fourteen or so now. So I think you should continue that way. Thank you.” Mayor Knutson, “Thank You. Do I have any additional comments?” **Dennis Duty**, “I’m sitting right next to Ann so I’ve got to be careful what I say here. I, like Lee, would like to get this done more than anybody in this room I’m sure. Not only because we’ve been working on the code, but we’re using it every day. Today was a perfect example of two Special Use Permit applications that are following completely the Development Code to the T. It’s a lot of time and energy for all parties to present for these hearings. The sooner the better as far as I’m concerned. But on the other side of the coin I’d really like to see us included in the County. Or the County included in this Code primarily because things like Hawk Drive, which is our main access into Mission Bay, was a County road at the time it was annexed. So the County road continues to stand up as the precedence here and so we have a chip sealed road. In the future where new developments will try to be annexed in, they will have substandard streets, substandard septic and water utilities that won’t really fall into place for the City. I think it’s worthwhile to hear what the concerns are, the legal counsel, again I am very concerned about the time frame. One other comment I wanted to say there was a hearing on this, whether the City/County Planning Board should continue. I think the hearing was a little bit loaded with people who were in favor of the City/County Planning Board. That were in favor of this because we were on the Development Code but it was very well heard and approved by the County Commissioners to proceed with the City/County Planning Board. So I think they’ve shown some desire to make this happen. I also believe that the more inner-action that we can have between the two jurisdictions for, even if it’s just for trying to figure out how to make things work a little better with snow plowing, or you name it, it can be better if we all communicate and work together. I think this is the time to resolve that. I do think if we go different directions it’s just hard to bring us back together again. We’ve all seen it in the past where it gets separated and then it’s hard to bring it back. But lastly, I don’t think we can wait. Once we get to the questions at hand that these guys bring forward, we can’t debate this for another two or three years on how to handle this. I think we just got to make some decisions and move forward. I hope the County will also be ready to participate in some of the costs because we have, being on that Board we have many folks here, we have spent a lot of time with the County trying to blend this thing and took their Planning staff and included them in every meeting and felt like we discussed this thing, vented this thing very well with what they thought was legal way. So, I hope that we can get this done, get this done timely. I think even the goal of the first part of the year 2016 ought to be a very reasonable goal if we can kick this thing into gear and once this stuff comes out of the County, to get right on it and keep, figure out how we can move forward. Thank you.” Mayor Knutson, “Thank you. Another comment here?” **Lita Fonda**, “I live in Ward 1. A couple of things regarding items that are different between the County and the City. Some examples, to provide some examples, one would be livestock. It’s handled differently in the County from the City. Also, manufactured housing, there’s difference there, and there’s a handful of other ones. I’m wanting to say recreational vehicles. I’m looking at Dave because that was back when Monte was just leaving I think. David DeGrandpre, “That’s true.” Lita Fonda, “There’s a little handful of them where one entity has passed the item and the other has not. It’s not ideal, but it is present in the current code. So I did want to mention some examples you had

asked and those were ones that came to mind. I also have been involved with this from a long time. Not from the beginning because there was a group before the next group that actually developed the draft that the next group looked at. So it has been going on for quite some time. It would be lovely if it would end. It would be really, really lovely, however I am concerned it's done right. I appreciate the fact that the County is trying to look at some legal issues and stuff. I know that you all would be concerned with those as well. So, please don't forget those. I was looking thru the most recent draft of the Code, the one that's on line, I was looking at a cross reference, and it didn't cross reference right. I finally went thru and I happened to find like a whole page of cross references that are small things like that that weren't and still needed tuning. So, a lot of work has been done but there is still a little ways to go. Hopefully a little ways. Just for awareness, some people pointed out this map as City/County Planning area. It actually extends to the north and it was interesting to me, I went to quite a few of the committee meetings before I realized the person running the meeting didn't know that and begun to bring a map of the full extent where that County area extends to the north. So things like that have happened too. Just, I'll give you that one for a flavor. But anyway, thank you for your patience. Hope we can hang on long enough and work with the County to get this done right."

City Manager Shrives commented on one correction, that the City Attorney had in fact reviewed the Development Code and has made recommendations and done an amendment regarding the Planning Board and the Special Use Permit process. Mayor Knutson asked if there was anything that the Commission needed to do this evening as far as an action. City Manager Shrives commented that he would follow up with the County regarding sharing the cost. Commissioner Campbell commented that as long as the County is moving forward with the project, we owe it to them. The County has put a lot of time into this too. We would be a much better organization. Dave's recommendation to move forward with the County we should do that. Maybe the two legal teams could talk too. City Manager Shrives commented that he would follow up with the County. Mayor Knutson asked that the County continue to move forward with the process that they are working towards. The City Manager will visit with the County further about what some potential options might be for financially working thru this as well. Then based on how those discussions go, and the direction, then get an update at the next meeting or the following meeting in September. The Mayor thanked all who spoke and shared their perspective and thanked County Commissioner Brower for her time in coming to speak with the Commission.

**UPDATE/DECISION REGARDING TEST WELL (01:16:29)** -This agenda item was presented by City Manager Shrives, Water/Sewer Superintendent Tony Porrazzo, and Engineer Roger Noble. City Manager Shrives commented that he brought back up in order to answer questions that the Commission may have. The budget for this project was reviewed. The source of funding for this project was an RRGL Grant, TSEP Grant and an SRF Loan a couple of years ago. The RRGL and the TSEP grant were mainly for the Downtown Water Looping Project. There was a little less than \$100,000.00 out of the TSEP Grant that was going to the Well. When the budget was originally put together what was missing was the actual drilling of the Well. Whether that be \$85,000.00 or if we move forward and spend \$118,000.00 to go deeper, that didn't reflect in the budget that was put together for the project. But, the original rate increase did include those funds and the funds are available. There is currently about, in the current Water Fund cash at the end of June, there was \$945,000.00. Reimbursements on the TSEP Grant and SRF coming back to the City in the amount of \$586,000.00. There will be a balance of \$1.2 million in the Water Fund. There is cash available to do the project. Currently the Well is at 295 feet. The City has spent about \$85,000.00. If the City drills down to try and hit another pocket of water, we would be spending an additional \$12,000.00. If it were to be successful then we would need to complete it so the total cost would be \$118,000.00. Roger Noble presented specific details about what was found and a recommendation from him. **Roger Noble**, "Applied Water Consultant, Kalispell, MT. As Commissioner Campbell knows, Polson is probably one of the hardest places to find water. A good ground water well. It's because there are a variety of geologic conditions; everything from lake bed sediments to buried river channels to bedrock geology on the west shore. Even though you find a good aquifer, the water quality

may not be desirable. There's areas of high iron. Areas of high manganese and so it's always been a challenge to find a real viable ground water well for the City. We've done a lot of pre-testing on the east shore to narrow that down and we've got, selected an area. We're drilling now over on the Paul Gochis property. As Mark mentioned, we've drilled down to 295 feet. We've encountered two different zones. The first one was from 130 to 147 and then we found a second one at 203 to 208 feet. The first zone, it looks like, when we are drilling we blow the Well with air and stop and test it and see if it will clear and clean and what it will look like. That one looks like it will yield between 120 and 150 gallons a minute. The second zones a little better. It gives in the order of 180 to 200 gallons a minute. When we were at the 207 foot level, we stopped and collected a water sample. Sent that in for laboratory analysis. The things we're always concerned about are iron and manganese and just overall water quality. Those results came back all the concentrations were about a 10<sup>th</sup> of what the drinking water standard is. So their well, it's real good. For instance the concentration of manganese was .005. The limit is .05. Iron was .03. The limit is .3. So a 10<sup>th</sup> of what the standard is. Dissolved solids were 117. That's kind of an indicator of how mineralized the water is. Kalispell's water is 350. So it is not very mineralized water which is real desirable. We found a very good spot to drill and complete a Well. We can stop here. If we complete it we figure we will get maybe 300 to 350 gallons per minute. The cost to do that is about \$74,000.00 right now. We'd complete it at about 210 feet but then everybody always says why don't you go deeper? See what's down there. Now's your chance. There is a lot of truth to that. This is an area where it's always been difficult to find water. This is the deepest Well in that area because most of the Wells are strictly drilled for portable use. They go down until they hit 10 to 20 gallon per minute, stop and that's good. So the other thing, if we found better water or more water it's in an area where this is a tough zone to hydrologically balance within the pressure zones in Polson. Improve flow would allow the City to manage, balance that system pressure zone. Then finally, if we do stop here there's nothing to be lost. Or if we continue deeper there's nothing to be lost. We can always go back to these two zones, complete the Well and finish it off as planned. It's just that we're at sort of a decision point and we're kind of leaving it up to your discretion to decide if there's that much value in to going deeper. So as Mark mentioned, if we take the Well down, in a worse-case scenario we go down 500 feet, we find another zone from 490 to 500 feet. We want to include that in and develop that up then the cost would be in the order of \$118,000.00 for the total Well cost. So that would just include all three zones. So, but we don't know what we're going to find. You know that's Well drilling. There's no science there."

Commissioner Campbell, "Roger what volume did you take your sample? Your chemical sample. What volume were you pumping?" Roger Noble, "It was 120 gallons per minute when we were blowing, air testing it at that rate." Commissioner Campbell, "Remember down at Walmart. We pumped more, the concentrations went higher. We pumped more, they went higher. Any feeling about this one?" Roger Nobel, "I don't, this is a different situation." Commissioner Campbell, "Down the road they found high iron." Roger Nobel, "In this case, both of these zones are real clean gravels. They are nice rounded argillite class. There's not the iron staining on them that there is in other areas." Commissioner Campbell, "You didn't find the sand either?" Roger Nobel, "Didn't find the sand. No, that was the critical thing. So usually the sand is an indicator that there's a lot of organics there and that's where the manganese is associated." Commissioner Campbell, "On this property, say you didn't want to take a chance of going into an unknown level. There's obvious reasons no one has ever done this before. You know what that is?" Roger Nobel, "Well I think nobody's ever had the need to do it before, you know." Commissioner Campbell, "Them irrigators out there, they all get what they need at this 200 ..." Tony Porrazzo, "John, theirs all canal." Roger Nobel, "Yeah. Everybody out there is getting out of the canal. There is one irrigator out there John and that's that orchard I think it's the Jones orchard. That's right there and that's, we sampled that Well and that Well had real good water quality. That's what tipped us off." Commissioner Campbell, "Is there enough property there to top another Well that wouldn't interfere with this one? Run two at your 208 feet or whatever you are at now. Rather than take a chance of going to a level you haven't." Roger Nobel, "It's a possibility. I mean you never know until you test the first one." Commissioner Campbell, "Are you noticing any draw on local Wells? If you pull up 120 gallons a minute are you noticing any draw down on the neighbors?" Roger Nobel, "We haven't been

monitoring anything like that.” Commissioner Campbell, “Any protest of this Well from the neighbors?” Roger Nobel, “Not that I’m aware of. It sounds like most of the neighbors are aware of it. Mr. Gochis was highly favorable to allow the City to work with the City. So I don’t, I guess the DNRC has had some calls on water right concerns. But, this is going to be a redundant Well I’d like to point out too. So in that factor it’s not going to have the water right issue. So really it comes back to do you guys want to take the gamble and see if there’s anything else down there or stop here.” Commissioner Campbell, “That’s exactly what it is.” Mayor Knutson, “Let me understand. If we do go further, it would be an additional \$12,000.00 and at that time, I think I heard you say, if the water was not good at that level, we could still back back up.” Roger Nobel, “That is correct. That is right.” Commissioner Turner, “So when you’re talking your levels, you found two different levels. Bottom one at 208 feet. Are we currently at 295 feet down?” Roger Nobel, “Right. We drilled down deeper. Just, I think we had originally budgeted about 250-260. We said, “Well let’s just see if there’s, you know, we just went thru one, let’s just see if there’s anything just a little bit deeper.” I’ve got copies of the Well logs if you’d like to look at those.” Commissioner Turner, “Is that any indication that roughly when you went down 90 feet, didn’t find much more, so if we spend the money, really no guarantee that we’re going to find anything.” Roger Nobel, “No. That’s Well drilling. I mean if this area had more base line information and other deep Wells in this area that we could correlate things to then I’d make those correlations but it’s an exploration Well in one sense.” Commissioner Turner, “What were you guys hoping for as far as flow when you drilled this Well?” Roger Nobel, “I think we were shooting for about 300. Isn’t that right Tony?” Tony Porrazzo, “Well, I was looking more for 450.” Commissioner Campbell, “What permit are you working under? I know you said this is a redundant.” Roger Nobel, “A redundant. Yeah.” Commissioner Campbell, “Does it come off of the permit from Well #1?” Roger Nobel, “Not at this time because the way, you know, there’s a moratorium on right now because...” Commissioner Campbell, “What does it allow you to pump to do a redundant Well. What volume, how many gallons per minute?” Tony Porrazzo, “450.” Roger Nobel, “Yeah. It would be redundant.” Commissioner Campbell, “What do you believe now? 350?” Roger Nobel, “300 to 350 potentially.” Commissioner Campbell, “Okay. I’ve never been a gambler. Go ahead Tony. I want to hear what you have to say.” Tony Porrazzo, “On the drilling a second well, I guess, you know, if we had to go that route, but I mean, you know, we didn’t make the 100 foot circumference. We had to get an easement from the next door neighbor to even do that. So drilling another Well we would have to go back and do all of that because we couldn’t, you know, once you move the Well, you have to move that 100 foot. So, I mean ..” Commissioner Campbell, “But you’re in known sources of water. I guess that was my point. We know at this level you have a source, at this level you have a source, at this level down here you don’t have a clue. You might hit glacier silt.” Tony Porrazzo, “But the other side is if you do go deeper and hit another source down there, we’re less apt to bother the other surrounding Wells too ‘cause they’re not that deep.” Commissioner Campbell, “You’d be like a rock star geologist if you found that.” Roger Nobel, “Oh man, yeah. It has happened before when I was working down in Idaho. Down in Chubbuck. We went thru three zones and into a big zone down below. You know, 500, 600 feet. So it’s not, it’s not uncommon but you just don’t know. There’s no data to support it either way.” Commissioner Campbell, “Is it similar type of formation, glacier formation too?” Roger Nobel, “It was sand material. Fine sand, minor gravel 254 to 258. Course sand with gravel from 258 to 280 and then we started to get into a clay with gravel at 280 to 295. To follow along with what Tony was saying, we could go drill a second Well on that property. Probably at least want to move back 100 feet from this one. That would mean you would buy another half- acre from Gochis to get your Wellhead Protection Zone requirements. Whatever fee was decided on before, there’s a least another 50%. So there are some inherent costs going that way too.” Commissioner Campbell, “I don’t remember, many of our questions last time had to do with cost as much as they had to do with quality and the whole gambling part of it I guess. Just a throw of the dice. I don’t know. How does everybody else feel about gambling? That’s what it boils down to.” Commissioner Siler, “If we go down to 500 and you get that water do you abandon the water that’s at 300 then?” Roger Nobel, “No we would complete all three zones. Maybe we don’t need to go to 500. Maybe we find something at 350 to 400. Find another good zone. That’s where we’d stop. If we get another 100 to 150 gallons per minute

that would be great. Then you'd have a really sound supply." Commissioner Campbell, "How about if you split the costs with us?" Roger Nobel, "That's my benevolence side." Tony Porrazzo, "You chocked him, that's good." Commissioner Campbell, "Common sense." Roger Nobel, "No. I know its dollars for sure." Commissioner Campbell, "Yeah. I don't know Roger. I see where you're at. Man, its people's money." City Manager Shrives, "Well, here's where we are at. Last time we did manage to buy two more weeks and that's why we're talking about this again. The drilling company did another job and so they just left their equipment there at our site. But we are now at the point that they're back and their going to pull out so that's why I brought it back tonight so that we could decide one way or the other. They won't stay any longer. So that's why I'm pushing for a decision one way or the other tonight. But you are right. Cost wise we have the funds. We have the funds to do it." Mayor Knutson, "The way I'm looking at it, we're really looking at about \$12,000.00 on the gamble portion of it. Because that's not finishing it. A \$12,000.00 gamble." Commissioner Turner, "But there's not going to be any more expense if we go down that far, we hit nothing, to actually back everything back." Mayor Knutson, "No. Just the \$12,000.00." Commissioner Campbell, "That's where we are. We're all aware of what we're doing. We're just throwing the dice right here." Mayor Knutson, "Do we have any....I think we should ask if we have any comments." Commissioner Campbell, "That'd be great." Mayor Knutson, "Any comments any others would like to share with us as well." **Speaker did not identify himself**, "Can we ask Roger what his recommendation is?" Roger Nobel, "Dennis what's your recommendation? This is as cheap as it gets. We're drilling a 6 inch test well. That's as small a diameter as you can go. So, my recommendation is to try it and see what's there. Find out what's there. If it was an 8 inch Well we'd probably be at 50% more than what per footage cost because of the diameter. So the opportunity is there. It's your decision but I guess I think it's a Well to pursue. I don't know. It'll add knowledge for the future for at least. Then like you said maybe okay we know for \$12,000.00 maybe then we just move over and drill a second one on Gochis property and get that other. Then that question is resolved and in the future you won't have to." Commissioner Campbell, "That's the question (inaudible)." Mayor Knutson, "Alright. Let's see if there's anyone else who would like to share something on this with us tonight." **Kitty Peterson**, "I live about, less than half a mile south of Gochis where you drilled. Of course I'm already worried about my Well dropping. My Well is only 140 feet deep but it's up, I don't know how far. Due east of the original Walmart Well and they tested. We objected. My Well dropped three inches when they drilled the Walmart Well. Which of course they abandoned. So I am worried about this one. I don't understand what you mean by a redundant Well. Are you going to use it or not? Can you explain that? Somebody." Roger Nobel, "So the question is what's a redundant Well? A redundant Well is how the DNRC, which is the Department of Natural Resources Conservation, classifies a Well as far as using it. So this Well is going to kind of be a replacement Well to Well #1 which is on the golf course. It is in redundancy to that because of the negotiations with the Confederated Salish Kootenai Tribes there's a moratorium on this basin on a Reservation. You cannot get a new water right. We can't do it. We can change a water right now because of that moratorium. We can't even, the City of Polson has got a lot of good solid water rights but we can't even move those around right now because of that moratorium. So the way we do it is what is called a Redundant Well. We just did this with Ronan. We're doing it with Pablo right now. They will use one Well for one week and this Well for the next week. They alternate Wells is what they do. One Well is redundant to the original Well. In this case, this Well will be redundant to Well #1." Mayor Knutson, "How much was in that?" Commissioner Campbell, "450. That one was really high in manganese." Mayor Knutson, "Okay. Any other comments? Yes. Please." **Speaker did not identify himself**, "It's been a while since I drilled a Well and no you don't know what you're going to get but \$12,000.00 because they're already on site, to see if we can pick up another to the 450 that Tony would like to see so that it actually is like for like with the Well we're replacing I don't think it's quite a gamble. I think it's a prudent investment because we find that we got to go buy extra property and drill another one to that zone, it's going to be more money. Just from my own experience you're there, okay, I know a number of Wells around here that are right at 500 foot and they're only pumping 13 gallons per minute. It's a completely different drainage. They're having to go thru bedrock. He hasn't gotten there. It's pretty probable that they're going to pick some

more water up and get to that 450 you're aiming at. I think it's a prudent investment. Is it a gamble? Yes it is a little bit. Most investments are a bit of a gamble. You don't always get a return on an investment. Unless you've got an FDIC savings account. You don't always get it on an investment. This is kind of like buying stock. It may go up, it may go down. It's about as cheap as you are going to get per foot. I'd recommend it." Mayor Knutson, "Thank you. Dennis." **Dennis Duty**, "I was going to say the same thing that it seems that's a pretty inexpensive once you are set up and going to go down and test it. I think one of the questions that was out there is are these Wells going to be checked for the neighbors. When you file with DNRC you are going to have to do through a full pump test for all of the neighbors. Make sure that you aren't affecting their Wells or if they are how much." Tony Porrazzo, "Yeah. That's just DNRC." Dennis Duty, "It's a DNRC requirement." Mayor Knutson, "So the process includes that?" Dennis Duty, "The process will have to go back and do that as well. Whether you're 500 feet or 300 feet. If it were \$50 or 60,000.00 I think it would be, you'd start re-evaluating but at \$12,000.00 that seems like a fairly, but I don't know. I thought it was \$118,000.00 to finish it. City Manager Shrives, "Total." Dennis Duty, "That's total when everything is done. Okay. That's not just the..." Mayor Knutson, "Total versus 85." City Manager Shrives, "But we're at 85 to finish where we're at." Commissioner Turner, "So it is more of a cost than is actually being thrown out there. It's \$12,000.00 to see if anything's there and we have to finish it." Dennis Duty, "Right. So that's a little more expensive then." Mayor Knutson, "The gamble is \$12,000.00." Dennis Duty, "If you find something or finish something. My input is and if you can get down below some of these other aquifers you might be able to find water that isn't going to affect somebody else's water levels. So that might be worth it by itself." Mayor Knutson, "Thank you. Any additional comment? Okay Commission back to us. Commissioner Turner, "What did you say to finish where we're at right now? \$75,000.00?" Mayor Knutson, "85." City Manager Shrives, "We're at \$85,000.00. The original bid was \$89,000.00 and we're at \$85,000.00." **Commissioner Siler**, "**I'll stick my neck out and say let's do it.**" Mayor Knutson, "Do we need a motion?" City Manager Shrives, "It would probably be good." Mayor Knutson, "So I've got a motion then on the table from **Commissioner Siler to move forward with drilling down to 500 feet. If successful, complete the Well at that depth**" Commissioner Turner, "**I'll second it.**" Commission discussion: none Public comment: none **VOTE: 4 ayes 1 nay. Motion carried**

**(01:46:15) Mayor Knutson**, "Next we are on to recess for an personnel Executive Session. This matter concerns the City Manager Contract. A committee was formed to review the contract and we are now prepared to discuss this with full Commission discussion with the City Manager. I have determined that the interest of the public and the knowledge of this contract clearly outweighs the interest of the employee's privacy. However, the City Manager has the right to request that the discussion of the contract be closed as a matter of personnel privacy and if he exercises that right, the discussion will be closed. However, I also want to note that prior to the signing of a contract a proposed contract will be presented as an agenda item at a City Commission meeting in order for the public to have an opportunity to comment. A contract agreement will be voted on by the full Commission in a public Commission meeting. If the discussion is closed, upon its completion the Commission will reconvene into open session only to determine the action versus full minutes and to adjourn. I expect that the discussion will take approximately 45 minutes to one hour. I would like to now turn to our City Manager and ask if he would wish for the session to be closed." City Manager Shrives, "I do." Mayor Knutson, "Okay. Thank you. With that then we will go ahead and recess."

**Recess (01:47:42) 8:47 p.m.**

**Reconvene (01:45:53) 10:34 p.m.**

**(01:47:59) Mayor Knutson** asked the Commission if there were any items that needed full minutes or will action minutes suffice. Commissioner Turner requested full minutes of the Test Well. Commissioner Siler requested full minutes of the Polson Development Code update.

**Adjourn. (01:48:41) Commissioner Campbell motion to adjourn. Commissioner Donovan second. Commission discussion: none Public Comment: none VOTE: Unanimous Motion carried.**

**ADJOURN: 10:36 p.m.**

\_\_\_\_\_

**Heather Knutson, Mayor**

**ATTEST:** \_\_\_\_\_

**Cora E. Pritt, City Clerk**

5e.

**CITY OF POLSON  
CITY COMMISSION PRELIMINARY  
BUDGET WORKSHOP MEETING**

Commission Chambers

August 24, 2015

6:00 p.m.

**ATTENDANCE:** Mayor Heather Knutson, Commissioners Campbell, Erickson, Siler, and Southerland  
City Manager Mark Shrives, City Clerk Cora Pritt

**ABSENT:** Commissioners Donovan and Turner

**OTHERS PRESENT** (who voluntarily signed in): Elsa Duford, Bonnie Manicke

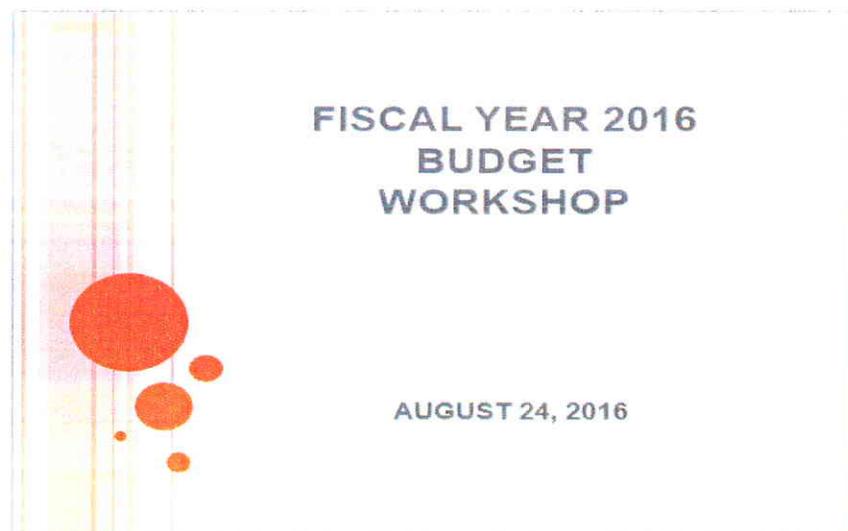
**CALL TO ORDER: (00:15)** Mayor Knutson called the meeting to order. The Pledge of Allegiance was recited. Roll call was taken.

**APPROVAL OF PROPOSED AGENDA (00:57) - Commissioner Southerland motion to approve the proposed agenda. Commissioner Campbell second.** City Commission discussion: none Public comment: none **VOTE: Unanimous Motion carried**

**PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC NOT ON THE AGENDA ( 1:24)-none**

**FISCAL YEAR 2016 PRELIMINARY BUDGET WORKSHOP (1:44) -**City Manager Mark Shrives and City Finance Officer Cindy Dooley presented this agenda item. Prior to the Budget Workshop beginning, City Manager Shrives introduced the new City Planner Kyle Roberts.

The following power point presentation was presented by City Finance Officer Cindy Dooley:



## THE BUDGET CALENDAR

- Meet with Department Heads to formulate budget
- Develop Budget
- Meet with Department Heads to refine budget
- Hold a budget workshop with the Commission
- Hold a Preliminary Budget Hearing
- Pass Final Budget

## SPECIFIC BUDGET DATES

- The DOR provides Certified Values by the 1<sup>st</sup> Monday in August to local governments
- The Preliminary Budget Hearing requires a two week advertising period prior to the hearing
- The final budget is passed by the later of:
  - 30 days from receipt of Certified Values
  - The 1<sup>st</sup> Thursday after the 1<sup>st</sup> Tuesday in September
- Special District resolutions will be passed on September 3<sup>rd</sup>

## BUDGET PACKAGE

- 2015 Certified Valuation Information (DOR)
- MCA 15-10-420 Tax Levy Calculation
- Permissive Medical Levy Calculation
- Permissive Levy Options
- Revenues Compared with Expenditures (Cash Reserve Report)
- Detailed Revenue Report – all funds
- Detailed Expenditure Report – all funds
- Preliminary Budget presented by line item
- Final Budget passed at the Fund level

# TAX REVENUES

City of Polson Mill Levy History

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Market Value	7,111,947	7,401,100	7,741,720	8,114,730	8,511,800	8,927,000	9,356,000	9,795,099	10,246,000
Total Taxable Value (T.V.)	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000
T.V. of Newly Taxable Property								305,061	17,071
T.V. Less Incremental Value								9,795,099	8,770,665
TIF Increment (Growth)								319,631	127,361

## TAXABLE VALUE ISSUES

	2014	2015
Total Market Value	411,606,950	601,583,737
Total Taxable Value (T.V.)	10,114,730	8,898,026
T.V. of Newly Taxable Property	305,061	17,071
T.V. Less Incremental Value	9,795,099	8,770,665
TIF Increment (Growth)	319,631	127,361

- 2015 is a Reappraisal Year – going to a 2 year vs. 6 year cycle
- DOR says land values have dropped over 50% in Lake County
- DOR says improvements values have gone up
- **KRMC has not been appraised yet by DOR:**
  - Could add about \$79,000 in Taxable Value
  - Would translate to about \$10,000 in additional tax for G.F.

## PERMISSIVE LEVY CALCULATION

- Maximum Mills = 14.91 for FY16
- Levied 9.5 mills in FY15 raised \$93,053
- 9.5 mills in FY16 would decrease amount \$9,728
- Each mill worth \$9,795 in FY15
- Each mill worth \$8,771 in FY16



## INDIRECT COST ALLOCATION

- Indirect Costs are costs that are not directly accountable to a particular cost center or function
- GFOA best practice method:
  - Step 1 – determine costs to allocate
  - Step 2 – determine basis for allocation percentage
  - Step 3 – allocate costs by percentage



## SALARY INFORMATION

- Salary Report for FY16
- Police Schedule Handout
  - Steps – Years of Service
  - Lanes – Experience/Training Hours
- COLA (Cost of Living)
  - Between 1.5% and 3.0%

## GENERAL GOVERNMENT HIGHLIGHTS

## GENERAL FUND

- REVENUES:

- Taxes = \$1,318,577

- Intergovernmental Revenues less Rural Fire  
Interlocal revenue

- Entitlement Share Increase = \$15,785

- Court Fines uncollectible approx \$326,467

- EXPENDITURES:

- Capital Projects

- New Flooring for City Hall

- PA System for Council Chambers

## PUBLIC SAFETY DEPARTMENTS

### POLICE DEPARTMENT

- GENERAL FUND BUDGET =  
\$1,183,230

- LEVY FUND REVENUE BUDGET  
= \$187,707

- LEVY FUND EXPENDITURE  
BUDGET = \$219,354

### FIRE DEPARTMENT

- EXPENDITURE BUDGET = \$224,000
- PURCHASE VEHICLE FROM IMPACT FEE FUND = \$58,000

### PLANNING DEPARTMENT

- EXPENDITURE BUDGET = \$99,018
- DEVELOPMENT CODE EXTRA \$2,000
- GROWTH POLICY UPDATE APPROX \$5,000 TO FINISH

### BUILDING DEPARTMENT

- FUND 2394
- REVENUE BUDGET = \$85,500
- EXPENDITURE BUDGET = \$72,552

# PUBLIC WORKS

## STREET DEPARTMENT

- GENERAL FUND BUDGET = \$319,359
- PURCHASE F550
- GAS TAX REVENUE BUDGET = \$99,968
- GAS TAX EXPENDITURE BUDGET = \$107,670

## WATER & SEWER DEPARTMENT

- CONTINUATION OF WELL PROJECT IN FY16 FOR WATER FUND
- ENGINEERING COSTS ON UPCOMING PROJECTS
- WASTEWATER TREATMENT PLANT COSTS

# CULTURE & RECREATION

## PARKS DEPARTMENT

- GENERAL FUND BUDGET = \$187,000
- SALISH POINT FUND KIOSK
- INTERPRETIVE SIGN PROJECT FINISHING

## GOLF DEPARTMENT

- GOLF CART STORAGE CONTINUING
- GOLF IRRIGATION PROJECT RE-BID
- LOAN PACKAGE

**Adjourn. (02:11:41) Commissioner Campbell motion to adjourn. Commissioner Donovan second.**  
Commission discussion: none Public Comment: none **VOTE: Unanimous Motion carried.**

**ADJOURN: 8:12 p.m.**

\_\_\_\_\_

**Heather Knutson, Mayor**

**ATTEST:** \_\_\_\_\_

**Cora E. Pritt, City Clerk**

**CITY OF POLSON  
CITY COMMISSION PRELIMINARY  
BUDGET PUBLIC HEARING**

5f

Commission Chambers

August 26, 2015

6:30 p.m.

**ATTENDANCE:** Mayor Heather Knutson, Commissioners Campbell, Donovan, Erickson, Siler, and Southerland City Manager Mark Shrives, City Clerk Cora Pritt

**ABSENT:** Commissioner Turner

**OTHERS PRESENT** (who voluntarily signed in): Elsa Duford, Bonnie Manicke, Lee Manicke, and Tony Porrazzo

**CALL TO ORDER: (00:03)** Mayor Knutson called the meeting to order. The Pledge of Allegiance was recited. Roll call was taken.

**APPROVAL OF PROPOSED AGENDA (00:49) - Commissioner Southerland motion to approve the proposed agenda. Commissioner Siler second.** City Commission discussion: none Public comment: Elsa Duford commented on the handicap to the Public when there are not copies of agenda items provided to the Public at the meeting. This prohibits the Public from being informed and being able to participate. Mayor Knutson explained that the agenda is available on the City website or someone can bring in a flash drive and the City Clerk will copy the information onto the flash drive for you. **VOTE: Unanimous Motion carried**

**PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC NOT ON THE AGENDA ( 5:40)-none**

**FISCAL YEAR 2016 PRELIMINARY BUDGET PUBLIC HEARING (6:07) -City Manager Mark Shrives**

read the following letter prior to the Public Hearing being opened:

August 26, 2015

Dear Commission and Citizens of Polson:

Attached is the budget packet for FY16. As in past years the general fund always represents a challenge for budgeting. You may recall that earlier this year the finance chapter of the recodification was passed. Part of that ordinance requires that the General Fund have an ending fund balance reserve of at least 16.67%. As the budget currently stands, the fund balance cash reserve is at 16.17%. The updated budget reports include a COLA of 30 cents for permanent employees who are not receiving a wage increase (see the attached updated salary report). You will notice on the salary report that police officers have a set of two numbers by their position. The Police Department has started a salary schedule that has three lanes and 20 steps. The starting pay for the schedule is \$19/hour. Each step (for years of service longevity) increase 1% and each lane (patrol, corporal, sergeant) increase 5%. This will make it much easier for the police department to set a fair wage for beginning police officers, as well as those hired with experience. The increase in officer wages this year is shown as salary parity in fund 2020. In FY2016, hopefully we can build other salary schedules that compensate employees on a fair scale and recognize longevity.

The certified values from the DOR were briefly discussed at the last commission meeting. As you can see, from the Certified Value sheet the taxable value is at \$8,770,665, which makes the value of 1 mill \$8,771. By law, the City can raise the same amount of taxes that it milled the prior year. In order to raise the same amount of taxes for the General Fund this year compared to last year, the mills are set at 139.51 (see the mill calculation sheet). The taxable value of newly taxable property is still a concern. We have notified DOR that we feel it is too low and they are working through the issues we raised. Our biggest concern was that the Kalispell Regional Medical Center Building had not been included in our newly taxable values along with the Knife River property that was annexed into the City. The DOR is actually doing an appraisal on the Kalispell Regional property in the next two weeks and we were told we would be provided new certified values about a week after that appraisal had been completed. They are also researching the Knife River property. The value of newly taxable property and the inflation factors are the only items that can allow the city to receive additional tax revenue, so it is very important to have these properties included.

The Permissive Levy is also based on the City's taxable value. In order to generate approximately the same amount of revenue, the mills need to be raised from 9.5 to 10.5. The Commission will need to approve this as part of the budget resolution.

Healthcare costs continue to be one of the City's largest budget items. This year, to offset the increase that the City would have faced, the insurance deductibles were raised. This lowered the City's premiums below last year's costs. Part of the savings was given back to the employees in an increase in the HSA contribution from \$50 to \$100 per month. The employees are also contributing a total of \$20 per month to the cost of insurance, compared to \$15 per month last year, for those on the high deductible plan. Those on the 80/20 plan (which has low deductibles) are also paying more toward their plan.

A new indirect cost study has been prepared (see the attached memo and spreadsheets). The last time indirect costs were updated was the FY09 year. Since the amount does present some "sticker shock," it was decided to only change half for the FY16 year. The Building Fund still has a negative fund balance, so it will not participate for FY16. The Golf Fund has a bond resolution stipulation that limits the indirect cost to \$30,000.

The City had a cash savings in the General Fund last year of approximately \$160,000 (which in essence is money that was budgeted but not spent) Approximately \$150,000 of that savings is being appropriated for the FY16 year. Again, just because it is budgeted does not mean it will be spent.

Here are specific fund highlights:

#### **Special Revenue Funds**

- The interpretive sign project will be completed soon and a kiosk will be constructed at Salish Point to assist visitors to the walking path. The Tax Increment District is also looking at completing the parking lot paving at Salish Point.
- The City is again receiving a HIDTA grant to help pay the salary of the Drug Task Force officer.
- The EDC is exploring the possibility of a resort tax to fund street reconstruction and preservation. They are holding a series of public meetings to explain the tax and how it would be used.

#### **Debt Service Funds**

- This is the sixth year of assessment for SID #42 (Streetscape) with 10 years remaining.

**Capital Projects**

- The warranty work on the Streetscape project is completed. The remaining funds of \$4,295 will be transferred to the Tree Fund to replace trees on Main Street.
- The bond resolution does not allow maintenance for bond proceeds, but there were other contributions made to that fund. We are considering the remainder to be from other sources.

**Golf Fund**

- The Golf Fund completed the purchase of 60 Club Car golf carts, and construction on the golf cart storage building is ongoing.
- The irrigation project has been put on hold until later in FY16 or early in FY17. A funding package will be secured that includes refinancing the existing revenue bonds.

**Water Fund**

- The downtown looping project was completed in FY15, and the well construction will be completed in FY16.
- Planning will begin for several more water projects to be completed in FY17 and FY18.

**Sewer Fund**

- The mechanical treatment plant is moving along. As bids are accepted for equipment design, the Sewer Fund will make down payments on those design costs. Engineering costs will continue to be incurred. Based on engineer Kevin Johnson's time line, the City will incur about \$1.8 million in costs for the project this year. As was discussed in the budget workshop, we will use local funds to the maximum extent possible before we start using loan funds.

This is a preliminary budget and can be changed. The City probably will not pass a final budget until issues with the DOR can be resolved.

Sincerely,

Mark Shrives, City Manager  
Cindy Dooley, Finance Officer

City Finance Officer Cindy Dooley presented the following changes to the Preliminary Budget:

**City of Polson**

**General Fund Cash Transactions**

**FY15**

**08/26/2015**

**Prepared by: Cindy M Dooley, Finance Officer**

Cash Available from FY15 Revenues compared with Expenditures	\$ 386,373.49
Fund transfers for account coding corrections after print date of 09/15/2014	<u>(16,630.37)</u>
Adjusted Cash Available at 07/01/2014	\$ 369,743.12
FY14 audit correction	(2,000.00)
Receipt of Accounts Receivable/Payment of Accounts Payable	33,266.06

Receipt of Accounts Receivable/Payment of Accounts Payable recorded after 09/15/14	4,580.21		
Actual Revenues for FY15	2,397,371.56	Budget was	Variance =
		\$2,334,400.00	\$62,971.56
Actual Expenditures for FY15	(2,207,889.89)	Budget was	Variance =
		\$2,454,747.00	\$246,857.11
Accounts Receivable/Accounts Payable at end of FY15 (cash adjustments)	<u>(48,535.70)</u>		
Cash Available on 07/01/15	<u>\$ 546,535.36</u>		

**Proof:**

Projected Cash Remaining from FY15 Revenues Compared with Expenditures	\$ 299,292.55
Revenue Variance	62,971.56
Expenditure Variance	246,857.11
Fund transfers/corrections not included in original projection	(16,630.37)
Accounts Receivable/Accounts Payable not included in original projection	4,580.21
FY14 audit correction	(2,000.00)
FY15 Accounts Receivable/Accounts Payable ending balance (cash adjustments)	<u>(48,535.70)</u>
	<u>\$ 546,535.36</u>

The FY16 budget reflects appropriation of part of the actual cash savings of \$176,792.24 (546,535.36 - 369,743.12)

City Finance Officer Dooley explained that the City is waiting on Recertification Values from the Department of Revenue. Also, the changes to the Preliminary budget included the COLA pay raise of \$.30 to permanent full time employees who were not receiving a separate pay raise. There was also a pay raises to the Building Official, and the Water/Sewer Superintendent. The Executive Service Travel saw a decrease of \$500.00, the \$9,000.00 for the new public address system for the Council Chambers was removed, and the Education/Travel/Dues for the City Manager were reduced by \$1,000.00. MMIA will be paying for a portion of his travels. The General Fund saw a net reduction of \$2,313.00. Building Fund saw an increase of \$4,377.00 due to the pay increase. Golf Fund saw an increase of \$2, 192.00 due to COLA. Water/Sewer Funds saw an increase of \$10,583.00 due to COLA and pay raise for the Superintendent.

**Mayor Knutson then opened the Public Hearing (55:55)**

**Karen Sargeant**, “Ward 2. Just to reiterate, I’ve been here for 11 years. I have not asked for a raise for myself in those 11 years. Mark asked us last year, and I can’t speak on behalf of the other department heads, but we all rose to the call. When he told us to stop spending we did. He’s monitoring the budget for us. We’re monitoring our own budgets. Every single year I’ve been here I’ve given money back to the General Fund. Every single year. Okay. Part of it’s due to my anal retentiveness, part of it is due to my frugality, okay. I’m a very, very frugal person. If I don’t have to spend it, I won’t. Okay. Part of that is due to the fact that our Capital Improvement Plan. We have been told that the money that we save rolls into the Capital Improvement Plan. All of us are looking at that and going okay. Good. It’s not disappearing into a vacuum like it has for the last 9 years. I remember one year I gave \$14,000.00 back to the General Fund. It disappeared. So I have been contributing, my department has been contributing to

the Reserves and the General Fund for the last 11 years. So what we're looking at here is we're looking at wage increases that are necessary because my season temps cannot, they do not have a livable wage for the City of Polson. They don't even come close to a livable wage. My lead worker is close. My assistant lead worker is not. He's not close either. You cannot live on \$11.00 per hour in Polson. It's not possible to do that without struggling. Okay. So that's where that's coming from. And a .30 cent COLA increase is nothing. Nothing. You have very, very high qualified people in the City as your department heads. Very qualified people. I can speak on behalf of myself. I have a Master's Degree. I have 30 plus years in Parks and Recreation. Okay. And I am constantly irritating my husband because I don't ask for a raise for myself. Okay. It's worth every penny that goes into these salaries. It's worth every penny that goes into these wages because we give you guys 110% all the time. I think we need to be rewarded for that. I think we need to be appreciated for that. Okay. The cost of living in Polson is very high. The cost of living in Montana, except for some small towns back east because their hitting the big boom, okay is very high. I can compare it to cities in western Washington. You gotta kinda weigh all these things. You can't just look at that single factor there. You gotta look at all these factors. We all know the price of groceries is going up. The price of gas is going up, fluctuating now. We all have person fixed costs. We all have department fixed costs. Those fixed costs are going up. Through no fault of our own, you know, we don't have a choice in that. Our utilities are going up. Our electrical is going to go up soon as the dam gets functioning with the Tribe. That's coming. Okay. We know that. We're looking for every nook and cranny that we can cut or we can save in all of our departments. Mark tasked us with that and we did it. We did a salary survey to find out what was, what's wrong, you know. So, okay I've got a person dealing in sewage and needles and condoms and used condoms and trash and garbage and they're getting paid \$8.50 an hour and I can go flip burgers at McDonalds and make \$10.00 an hour. Does anybody else see something wrong with that picture? Cause I sure do. Commissioner Campbell, "Not me. I'm a sewer guy." Karen Sargeant, "Well, there you go. If you look at the sewer salaries they're really up there. I can't keep seasonals. I can't keep seasonals. And I don't blame them. Yeah, you want to go work at McDonalds for \$10.00 an hour rather than deal with human waste and all this other crap that you have to deal with for \$8.50? Hmmm, okay. Alright, I don't blame them. So just keep that in mind as you're looking at these salary increases. Thank you." **Tony Porrazzo**, "Water/Sewer Superintendent. As we look at Water & Sewer I understand, you know, that the rates are going up. That makes a hard issue for your people. For you to make decisions. But, when did you retire John? 14 years ago?" Commissioner Campbell, "13 years ago." Ton Porrazzo, "I've been doing this job for 13 years. I have given my raise away 3 times because the Council's wouldn't give my people money. This is ridiculous. I've been trying to get, John made 50 cents an hour more than the Chief of Police. As this budget sits, I will make \$15,000.00 a year less. Job didn't change. I mean it's, you know, and then to sit and listen to "well the budget, we've got to", fair is fair. I mean, I've been getting kicked down for quite a few years here. I was always told oh we will work you up gradually. Well gradually is never coming. It's just, I get kicked back every year. Well you know we can't do it all at once. When? It's not my fault that year after year you kicked the can. Well, next year. Same thing, you know, that has happened. I mean, it's gotta change. We gotta get caught up to what's really going on here. Just like Karen said, you have a team, qualified people and we do give 110% all the time and we get this. I've got an attitude as you can tell, but its 13 years' worth. Well actually 20 some. I mean, we gotta look at that too. I understand, you know, it's hard to explain to the Public the whole thing but reality is reality. Things need to be caught up to speed. And so, I would just like for you to look at that and realize that we're so far behind is the reason these big jumps happen. Because it keeps getting kicked off to the next year. Mark's trying to, you know, make things square and level so that we can function at a proper level and it's (inaudible). I understand what he's done. We are working on our pay scale as Water & Sewer department with operators and all of that stuff. We're trying to take it up incrementally. We're pretty close but we don't have that down yet completely. We will by next year for the pay scale. But for me I was told the same thing last year. I put in for a better raise last year, "well we'll give you a little this year and then we'll work on it next year." Was told the same thing the year before. The same thing the year before. It just keeps getting further, and further away. Please look at that." Mayor Knutson, "Do we

have any additional comments this evening?" **Terry Gembala**, "Streets Supervisor. I guess looking through this it's quite amazing. As a department head, other than Karen, Karen and I are the two lowest paid department heads in the City." Mayor Knutson, "Additional public comment?" **Speaker did not identify herself**, "I would certainly like to thank the Commission for the challenges and the economic condition that we have. Not only in Polson but world-wide. Not only in the United States, but also world-wide. So to start off with, I'm going to start off with an acknowledgement for Chief Nash. I am going to acknowledge the research that he did in streamlining the operations in the Police Department. I think it was something that was hanging out there for a long time and he took the boat in the oar if you want to say that and made it happen. So this is the first compliment. As we move down the line I assume that there may be an added cost that I may challenge at that time but for right now it's an acknowledgement for his research and to streamline the department. The Administration charges is a real sensitive issue for me. The Golf Enterprise is considered a recreation and luxury. Not a required for essential services. The Water & Sewer department is an essential public health service. The Administration charges that were put forth for this budget were \$130,000.00. I would certainly like and encourage the Commission in the future to lift the Bond Resolution stipulation for the \$30,000.00. The Golf department has had that stipulation ever since 1999 when there was a 1.6 million issue that was put there. It evolved from the Bond Attorney at that time taking a hard look at what the Golf department had for revenue at that time and decided to put the cap on there for \$30,000.00. I was the City Treasurer at that time. I did not want the golf course to move away from the additional improvements and the additional holes. So I went along with it. But you know, I think that it's time for the Golf department to step up to the plate and pay their elected services. I was also part of the re-financing on the last bond issue four years ago. There was \$400,000.00 that was re-issued in a bond at a reduced rate of interest. At that point, Cindy and I worked on it very diligently. We decided that we would leave the cap up there. The cap was only going to be there for four years. Come on. Give the Water & Sewer department and the essential services a break and increase the administration fee from the golf course. They have had a good run. They have the ability to increase their annual memberships. To increase their fees all the way across the board. It is a non-essential service. You've got Water & Sewer that's public service. We're low income on a specific reservation and the golf course really needs to start paying their way. So I thank you for that part of it and the other part that I noticed there was a G.I.S. position that was created in the Water & Sewer department. If somebody could respond to me with the position. I'm looking for, you know, what is that person going to do and it seems like to me that it is an added position. Is it a full-time position? Part-time position? City Manager Shrives, "It's a full-time position. We've gotten some grants and funding to buy G.I.S. equipment. One of the things that we need to do is start mapping. G.I.S. mapping all of our sewer, water, streets. It has the ability for parks, tree inventory. The list goes on and on with what you can do with G.I.S. That's the idea behind that position is to start digitizing the City and being able to do future planning and also identify what we have currently in infrastructure." Speaker, "Okay. I notice that there was two line items, one for Water department, one for Sewer department and I didn't get all of the way thru what else is provided for that." City Manager Shrives, "Here's how it's going to work. Water & Sewer are funding the department but when any other department in the City, which I think all of them will use it, they are going to then be billed back for the services that are provided. So there will be a payback into the Water & Sewer for services provided to the other City departments." Speaker, "Okay. Thank you for the opportunity." Mayor Knutson, "Thank you. Do I have additional public comment?" **Lee Manicke**, "Ward 2. In regard to the Certified Values. If the D.O.R. missed the clinic up there, they had to be completely blind. You picking this up and other things, you're doing their job for them. That's been going on for a long, long time. The County Treasurer gave them a big list of things that weren't included several years ago and they just told her to go to hell essentially. If there's things like the Red Lion and Walgreens they're supposed to value that as of January 1 of 2015. My recollection is there was some construction going on in both of those as of January 1 and there should be some building values on those properties. Whether or not there are I don't know. I haven't looked at them but there should be and any other property that was being developed. There's a house near us that was fairly well complete. Whether it's included or not I don't know. They're not doing their job. My

suggestion, can't be a high priority now that the City of Polson through the League of Cities and Towns and the Legislature, Legislature in all of the towns, see what the D.O.R. is doing. See if you can't get some changes made in that because they're not doing their job. It's on individual appraisals also. This idea that they give you a Certified Value at August 2<sup>nd</sup> and you have to have your budget in by September is absolutely ridiculous. Particularly when you gotta go back and do their job for them. I think that's the Legislature statute that August 2<sup>nd</sup>. So get the Legislature to move that up to May or June or something earlier than that. I think, they're not going to listen to me. They might listen to League of Cities and Towns and the Legislature. So it probably needs to come through you rather than from me. I have a question, if I can ask Cindy a question. The mills are at 139.51. Does that include the Permissive Levy?" Mayor Knutson, "I don't think so." Cindy Dooley, "No the 139.51 is just the General Fund." Lee Manicke, "So the Police Levy and the Mil Levy, or the Certified Levy are in addition to that. So then the mills will be going up from what they were last year? The total mills will go up? I'd like to ask Cindy how she calculated the income for the Tax Increment District." Cindy Dooley, "At this point I just kind of made an estimate based on the decrease of the taxable value from last year to this year." Lee Manicke, "The projected income is very close to the incremental value. If they were the same the mil levy would be 1,000. I did the arithmetic on it and it's at 900 and some total mills. If I applied that to the new tax assessment I have on the house, the value, the taxes would go up about 30% or somewhere in that area. So I think that figure Cindy has for a total income is projected way high. I understand that she doesn't have the numbers right now to do that. But you need to look at that again and see because they're not going to get anywhere near that amount of money. Where it is on there I don't remember now. Cindy Dooley, "But the County is going, their mills are going to, I'd say their mills may be more." Lee Manicke, "The School District has to be in there. The School District has to be in there too with the County. I understand those aren't there yet to do the calculations. But it's the projection on it. It's not going to be 1,000 mills to do that. I just have one comment on that Indirect Cost. You use the gross income to calculate that and I understand that's simplified you could get that done. I'm sure it's a very accurate way to get it done. I looked at my Sewer & Water bill this last month and the Sewer bill was \$36.00. The Sewer Fund was \$4.00. So that says then to run those through the bookkeeping system it costs 9 times more to run the Sewer through the bookkeeping system than it does to do the Storm Sewer system. I don't think that's the case. So I think you need to look at some other parameters in how you arrive at that number. Because just doing it based on the gross cost is probably not accurate. Mark would say well there's other costs in there. There's other things in there. Fine. Let's find out what they are and build those into the system rather than do it on a gross income. Thank you." Mayor Knutson, "Thank you. Do I have some additional public comment this evening?" Elsa Duford, "I just wanted as a reminder last January I did comment in the paper about the Water/Sewer rates increasing and comparing to the senior citizens, there's some people on social security, 1.7 wage increase. Everything goes up and nothing comes down. So, just keep in mind that there's a lot of people who are retired, living on social security and if you drive around town you will see that a lot of people just stopped watering their lawns. Because of the cost of trying to water with City water. You need to keep the whole peoples of the town in mind and I can understand the wanting higher wages for the employees. But consider the people who you are getting the increases from while you are proposing higher wages too. I'm not against higher wages but your community has to be able to support increases. Thank you." Mayor Knutson, "Thank you. Any additional public comment this evening? Okay. I appreciate the perspectives being shared. Thank you all. Thanks for the presentation and the updates this evening. Just to clarify what the next steps are then." City Manager Shrives, "You can close the Public Hearing." Mayor Knutson, "You want me to close that first before we tackle that? Okay. We'll officially then close the Public, no we won't. Yes." Finance Officer Cindy Dooley, "I think that you should continue the Preliminary Budget hearing until we have the resolve from the Department of Revenue." Mayor Knutson, "Okay. So do we need a motion to continue? Is that what you're saying?" Cindy Dooley, "Yes." Mayor Knutson, "Okay." Cindy Dooley, "I think you should do that and it can even be just something that's simply right before, you know, it's held right before the meeting where we pass the final budget Resolution." Mayor Knutson, "Can we leave it open that long?" Cindy Dooley, "I think so." Mayor Knutson, "Can we also have the other meeting where

we're going to pass the Special District?" Cindy Dooley, "Yes. That's fine." Mayor Knutson, "Assessments. Yeah if this is still open?" City Manager Shrives, "You can still do that." Cindy Dooley, "Yes." Mayor Knutson, "Okay. Then can I get a motion to continue the Public Hearing?"

**Commissioner Southerland, "I'll make a motion to continue the Public Hearing." Commissioner Donovan, "I'll second."** Mayor Knutson, "We have a motion from Commissioner Southerland and a second from Commissioner Donovan. Do I have any Commission discussion? Do I have any public comment on the continuance of the Public Hearing? Okay. We'll vote then." **VOTE: Unanimous Motion carried.**

Mayor Knutson then followed up on the next steps. The next meeting will be on Tuesday, September 1, 2015 at 6:30 p.m. This meeting will be to approve the Special Assessment Districts Resolution.

Commissioner Southerland, "I just wanted to make a comment. I agree that we are all here in the interest of the citizens that we're serving. I also feel we're kind of liaisons with the City employees. We have a responsibility to support and protect them as well. So, it makes it difficult to try and balance the two but I just wanted to make that comment in support of those that work for us."

Mayor Knutson, "I agree. I think we've got a great team. I don't know that that necessarily came across before. I agree we have a really great team. But that is a fine line to balance and we're trying to do that as well as we understand all of you are. So thank you."

Commissioner Siler, "Do we have a COLA fee of what these increases would cost?" City Manager Shrives, "Well I think .." Cindy Dooley, "The General Fund it was about \$8,000.00." City Manger Shrives, "It was 7 and then we increased..." Cindy Dooley, "I can get you the ones for the Enterprise Fund." Commissioner Siler, "So that's taking the sound system out will pay for the COLA right?" Cindy Dooley, "It did. It just about did." Mayor Knutson, "So we have to talk loud. Don't forget that."

**Adjourn. (01:22:16) Commissioner Campbell motion to adjourn. Commissioner Siler second.** Commission discussion: none Public Comment: none **VOTE: Unanimous Motion carried.**

**ADJOURN: 7:53 p.m.**

**ATTEST:** \_\_\_\_\_

\_\_\_\_\_  
**Heather Knutson, Mayor**

\_\_\_\_\_  
**Cora E. Pritt, City Clerk**

# CITY OF POLSON SPECIAL COMMISSION MEETING

5g

Commission Chambers

September 1, 2015

6:30 p.m.

**ATTENDANCE:** Mayor Heather Knutson, Commissioners Campbell, Donovan, Erickson, Siler, and Southerland City Manager Mark Shrives, City Clerk Cora Pritt

**ABSENT:** Commissioner Turner

**OTHERS PRESENT** (who voluntarily signed in): Elsa Duford, Bonnie Manicke

**CALL TO ORDER: (00:05)** Mayor Knutson called the meeting to order. The Pledge of Allegiance was recited. Roll call was taken.

**APPROVAL OF PROPOSED AGENDA (00:52) - Commissioner Southerland motion to approve the proposed agenda. Commissioner Erickson second.** City Commission discussion: none Public comment: none **VOTE: Unanimous Motion carried**

**PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC NOT ON THE AGENDA (01:24)-none**

**APPROVE RESOLUTION TO LEVY AND ASSESS SPECIAL IMPROVEMENT DISTRICTS TO DEFRAID THE COST OF MAKING AND ACQUIRING IMPROVEMENTS THEREIN; AND TO LEVY AND ASSESS CERTAIN STREET LIGHT MAINTENANCE DISTRICTS, AND DELINQUENT UTILITIES FOR FISCAL YEAR 2016 (01:47).** City Finance Officer Cindy Dooley presented this agenda item. The Special Improvement District "Streetscape" will be assessed \$68,028.16, Street Light Maintenance District #19 will be assessed \$14,078.23, Street Light Maintenance District #20 will be assessed \$4,871.36, and Delinquent Utilities will be assessed \$3,264.71. There will be no Noxious Weed assess. The total amount to be levied and assessed for 2015-2016 will be \$90,241.92. **Commissioner Siler motion to approve resolution to levy and assess Special Improvement Districts to defray the cost of making and acquiring improvements therein; and to levy and assess certain street light maintenance districts, and delinquent utilities as corrected for Fiscal Year 2016. Commissioner Southerland second.** City Commission discussion: none Public comment: **Bonnie Manicke** commented on Exhibit A, the noxious weed assessment. Bonnie encouraged the administration to revisit the noxious weed issues. Including the alleys and overgrowth in the front yards of the residential district. **Elsa Dufford** commented about the proposed sewer increase will be really tough for a lot of people. Please remember the people who stood at the meeting and said they couldn't pay a higher amount. **VOTE: Unanimous Motion carried.**

**(11:13)** Mayor Knutson, "We will be moving into recess and Executive Session. This matter is concerning personnel. I determined that the interest of the public clearly outweighs the employee's privacy. However, the City Manager was asked to have the meeting closed, from this person. So, we will go ahead and close the meeting for that. I expect the discussion is going to take 30 minutes to 1 hour. At that time the Commission will reconvene in open session only to select full minute agenda items and to adjourn. Again, I just want to reiterate that this has to be an Executive Session."

**RECESS (12:09):** 6:42 p.m.

**RECONVENE (12:11):** 7:43 p.m.

(12:14) Mayor Knutson asked the Commission if there were any items that needed full minutes or will action minutes suffice. The general consensus was all to be Action Minutes.

**Adjourn. (12:29) Commissioner Donovan motion to adjourn. Commissioner Campbell second.**  
Commission discussion: none Public Comment: none **VOTE: Unanimous Motion carried.**

**ADJOURN: 7:44 p.m.**

_____	<b>ATTEST:</b> _____
<b>Heather Knutson, Mayor</b>	<b>Cora E. Pritt, City Clerk</b>

ATTORNEY GENERAL  
STATE OF MONTANA

5h.

Tim Fox  
Attorney General



Department of Justice  
Joseph P. Mazurek Justice Bldg.  
215 North Sanders  
P.O. Box 201401  
Helena, MT 59620-1401

July 31, 2015

Mayor Heather Knutson  
City of Polson  
106 1st Street E.  
Polson, MT 59860

Re: Renewal of Memorandum of Agreement Regarding Law Enforcement

Dear Mayor Knutson:

The Memorandum of Agreement (the Agreement) between the State of Montana, Flathead County, Missoula County, Lake County, Sanders County, the cities of Hot Springs and Ronan, the town of St. Ignatius, and the Confederated Salish and Kootenai Tribes (the Tribes), will expire on September 20, 2015. The Agreement has worked well for the parties for the past sixteen years and no party has contacted our office seeking to change any of its provisions. Thus, the State of Montana would like to renew the Agreement.

Contemporaneous with this letter I am requesting the counties, towns, and cities who previously were parties to the Agreement to indicate whether they intend to renew. Our office was previously contacted by the Polson City Attorney, M. Richard Gebhardt, who indicated that the City of Polson desires to become a party to the Agreement when it is renewed. Please let us know if the City of Polson does want to be a party to the Agreement and if so, please sign and return the enclosed signature page located at the end of the Agreement before September 20, 2015.

Should you have any questions or concerns, please me at (406) 444-3602 or via e-mail at [mschlichting@mt.gov](mailto:mschlichting@mt.gov). I look forward to renewing the Agreement in September. Thank you.

Sincerely,

  
MELISSA SCHLICHTING  
Assistant Attorney General

c: M. Richard Gebhardt, Polson City Attorney

TELEPHONE: (406) 444-2026 FAX: (406) 444-3549 E-MAIL: [contactdoj@mt.gov](mailto:contactdoj@mt.gov) WEB: [mtdoj.gov](http://mtdoj.gov)

MONTANA DEPARTMENT OF JUSTICE

Legal Services Division \* Division of Criminal Investigation \* Highway Patrol Division \* Forensic Science Division  
Gambling Control Division \* Motor Vehicle Division \* Information Technology Services Division \* Central Services Division

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**WHEREAS**, the 1993 Montana Legislature enacted Senate Bill 368, which provided for the partial withdrawal of the consent of the Confederated Salish and Kootenai Tribes of the Flathead Nation (Tribes) to Public Law 280 jurisdiction on the Flathead Reservation; and

**WHEREAS**, Senate Bill 368 is codified in the Montana statutes at Mont. Code Ann. § 2-1-306 (1993) which provides that the Flathead Nation may, by tribal resolution, withdraw consent to be subject to the criminal misdemeanor jurisdiction of the State of Montana (State) and that within six (6) months after receipt of a tribal resolution withdrawing tribal consent, the Governor shall issue a proclamation to that effect; and

**WHEREAS**, the Tribes, the State, and affected county and local governments have a mutual desire to provide for a smooth implementation of tribal reassumption of exclusive jurisdiction over misdemeanor crimes committed by Indians; and

**WHEREAS**, the overriding purpose of this Memorandum of Agreement (Agreement) is to provide for timely and effective law enforcement and the protection of the public safety; and

**WHEREAS**, this Agreement is entered into pursuant to the State-Tribal Cooperative Agreements Act, codified at Mont. Code Ann. §§ 18-11-101 to -112 and Article VI, Section 1(c) of the Constitution of the Tribes approved by the Secretary of the Interior on October 28, 1935; and

**WHEREAS**, the Tribes, the State, and affected local governments shall act in good faith to effectuate the specific provisions of this Agreement; and

**WHEREAS**, the Tribe's resolution to withdraw from Public Law 280 includes language allowing continued state misdemeanor criminal jurisdiction in limited areas as specifically delineated in the body of the agreement;

**NOW, THEREFORE, BE IT RESOLVED THAT THE FLATHEAD NATION AND THE STATE OF MONTANA, FLATHEAD COUNTY, MISSOULA COUNTY, SANDERS COUNTY, THE CITY OF HOT SPRINGS, THE CITY OF RONAN, AND THE TOWN OF ST. IGNATIUS ENTER INTO THIS MEMORANDUM OF AGREEMENT AS FOLLOWS:**

**I. LAW ENFORCEMENT**

**A. Dispatch Assessment of Incoming Calls**

**1. Exigent Circumstances**

Upon receiving an incoming call, tribal, state, county, and city dispatch officers will dispatch the nearest officer to the scene of a crime where exigent circumstances do not allow for an assessment of whether the persons involved are Indian or non-Indian.

**2. Assessment of Dispatch Calls**

When an incoming call to dispatch is not an immediate exigent emergency, the dispatcher shall determine the:

- a. Nature of the call;
- b. Possible suspect/victims; and
- c. Location of the incident.

### **3. Referral to Appropriate Agencies**

If the key parties to the incident are Indian, and it is not clear that the reported offense would be charged as a felony, state, county, or city dispatchers will relay the information directly to tribal dispatch. If the key parties to the incident are Indian and tribal dispatch receives the call, tribal dispatch will contact tribal officers. If the key parties are non-Indian and tribal dispatch receives the call, tribal dispatch will relay the information directly to the appropriate state, county, or city dispatch officer. In either situation, the person making the call will not be told to call the other jurisdiction. The dispatchers of the respective jurisdictions shall directly relay information to the appropriate dispatch office.

### **4. Unclear Assessment**

If a clear assessment of the status of the key parties is not possible by dispatchers, direct law enforcement services will be provided by the jurisdiction receiving the call.

## **B. Officer Response to Dispatch Calls**

### **1. Field Response to Dispatch Calls**

Law enforcement officers dispatched into the field, either as the nearest officer available for exigent circumstances or as the appropriate officer due to the status of the persons involved, shall respond as immediately as possible. Once dispatched, officers shall attempt no assessment of proper jurisdiction until public safety is secured. If it is clear to the law enforcement officer that the offense committed will be charged as a felony, the officer will proceed pursuant to the authority of the jurisdiction represented. If it is unclear whether the offense will be charged as a felony or as a misdemeanor, the officer will determine the status of the suspect involved.

### **2. Field Determination of "Indian"**

Law enforcement officers will determine the Indian/non-Indian status of a suspect at the crime scene as soon as reasonable after providing any emergency law enforcement services and securing public safety. For purposes of the Agreement, an "Indian" is a person who is an enrolled member of a federally-recognized tribe. To make such determination, the suspect will be questioned as to whether she/he is an Indian.

#### **a. Self-identification as Indian with Proof of Enrollment**

If the suspect responds in the affirmative, the officer will obtain enrollment information and call the tribal dispatch officer, who will verify the enrollment status via contacting the specified Tribe's dispatch office and requesting enrollment verification. If the suspect's Indian status is verified, the non-tribal officer will request tribal officer response, if necessary.

#### **b. Self-identification as Indian Without Proof of Enrollment**

If the suspect claims to be an Indian to the non-tribal officer, but is unable to provide enrollment information, the suspect will properly be within the jurisdiction of the responding non-tribal officer until enrollment information is secured or until a successful defense of lack of jurisdiction is raised at trial.

If the suspect claims to be an Indian to a responding tribal officer, but is unable to provide verifying information, the suspect is properly within the jurisdiction of the Tribes unless a successful defense of lack of jurisdiction is raised at trial.

**C. Traffic Stops**

**1. Non-Tribal Officer Stops**

A non-tribal law enforcement officer may stop any vehicle upon a reasonable suspicion of criminal activity. The non-tribal officer may also conduct a protective frisk of the suspect and the area in the suspect's immediate control, whether the suspect is Indian or non-Indian, if the officer reasonably believes that the suspect may be armed with a weapon.

The non-tribal officer must then determine the Indian/non-Indian status of the suspect. If the suspect is Indian, as verified by the tribal dispatch, the officer may either issue a citation for the alleged violation pursuant to Section D or, if the officer determines that an arrest is necessary, request response by a tribal officer.

The non-tribal officer shall have authority to detain the Indian suspect pursuant to Section E: Unavailability of an Appropriate Officer.

**2. Tribal Officer Traffic Stops**

A tribal officer may stop any vehicle upon a reasonable suspicion of criminal activity. The tribal officer may also conduct a protective frisk of the suspect and the area in the suspect's immediate control, whether Indian or non-Indian, if the officer reasonably believes that the suspect may be armed with a weapon.

The tribal officer must then determine the Indian/non-Indian status of the suspect. If the suspect is non-Indian, the tribal officer may either issue a citation for the alleged violation pursuant to Section D or, if the officer determines that an arrest is necessary, request response by a non-tribal officer.

The tribal officer shall have authority to detain the suspect until the arrival of the non-tribal officer pursuant to Section E: Unavailability of an Appropriate Officer.

**D. Citation Authority**

**1. Tribal Officers**

Officers who have met tribal requirements for certification and who have been certified by the Tribes as law enforcement officers are hereby commissioned by each other party to this Agreement to exercise limited authority within those portions of the respective jurisdictions which lie within the exterior boundaries of the Flathead Indian Reservation. These tribal officers may exercise authority limited to that necessary for issuance of citations for violations of the state traffic laws and laws regarding minors in possession of alcohol. This authority includes that necessary to collect bond for the respective jurisdiction.

When a tribal officer makes a stop upon a reasonable suspicion of a criminal violation and determines: (1) that the suspect is a non-Indian; and (2) that an arrest is not necessary, the tribal officer is commissioned to act as an agent of the appropriate non-tribal jurisdiction and issue a citation for violation of state traffic laws and laws regarding minors in possession of alcohol.

## **2. Non-Tribal Officers**

Officers who have met the necessary requirements for certification as law enforcement officers of the respective state, county, and city jurisdictions and who have been certified by the respective jurisdiction, are hereby commissioned by the Tribes to exercise authority within the exterior boundaries of the Flathead Reservation. These non-tribal officers may exercise authority limited to that necessary for issuance of citations for violations of the tribal traffic ordinances and ordinances regarding minors in possession of alcohol. This authority includes that necessary to collect bond for the Tribes. When a non-tribal officer makes a stop upon a reasonable suspicion of a violation and determines: (1) that the suspect is an Indian; and (2) that an arrest is not necessary, the non-tribal officer is commissioned to act as an agent of the Tribes and issue a citation for violation of tribal traffic ordinances and ordinances regarding minors in possession of alcohol.

## **3. Chain of Command**

The chain of command for the law enforcement officers of the parties to this Agreement shall not be changed by the granting of authority to issue citations on behalf of a jurisdiction other than that of the officer. Officers will continue to report to and be accountable to superiors to whom they now report.

### **E. Unavailability of Appropriate Officer When Arrest Necessary**

#### **1. Stop by Non-Tribal Officer**

If upon a request from a non-tribal officer, a tribal officer determines he is unable to respond to a traffic stop which necessitates an arrest of an Indian person for protection of public safety within thirty (30) minutes of the detention of the Indian suspect, the tribal officer may authorize the non-tribal officer to arrest and transport the suspect to the Tribal Law and Order facility. Such arrest and transport in a traffic-stop situation cannot occur without the express grant of authority from the tribal officer to the non-tribal officer pursuant to Section F. An arrest made with an express grant of authority from the tribal officer includes a grant of authority to completely process the suspect for the crime.

If the traffic stop of an Indian suspect by a non-tribal officer does not warrant the arrest of the suspect, the non-tribal officer may issue a citation for the alleged violation pursuant to Section D, or file a report of probable cause and report of traffic violation to the tribal prosecutor's office.

#### **2. Stop by a Tribal Officer**

If upon request from a tribal officer, the non-tribal officer determines he is unable to respond to a traffic stop which necessitates an arrest of a non-Indian within thirty (30) minutes of the detention of the non-Indian suspect, the non-tribal officer may authorize the tribal officer to arrest and transport the suspect to the county or city law enforcement facilities. Such arrest and transport in a traffic-stop situation cannot occur without the express grant of authority from the non-tribal officer to the tribal officer pursuant to Section F. An arrest made with an express grant of authority from the non-tribal officer includes a grant of authority to completely process the suspect for the crime.

If the traffic stop of a non-Indian suspect by a tribal officer does not warrant the arrest of the suspect, the tribal officer may issue a citation for the alleged violation pursuant to Section D, or file a report of probable cause and report of traffic violation to the tribal prosecutor's office, who will then forward it to the appropriate prosecutor's office.

## **F. Arrest Authority**

### **1. Arrest by Non-Tribal Officer of Tribal Suspect**

A non-tribal officer may make an arrest of an Indian person only when granted authority to do so by a tribal officer after the tribal officer indicates he or she is unable to assure he or she can be at the scene within thirty (30) minutes of the detention of the Indian suspect, and:

- a. The non-tribal officer establishes to the tribal officer that probable cause for the arrest exists; or
- b. When the crime by the Indian person is committed or being committed in the non-tribal officer's presence and an arrest is necessary to protect the public or preserve the evidence.

The tribal officer may verbally give the grant of arrest authority to the non-tribal officer.

### **2. Arrest by Tribal Officer of Non-Indian Suspect**

A tribal officer may make an arrest of a non-Indian suspect only when granted authority to do so by a nontribal officer after the non-tribal officer indicates he or she is unable to assure he or she can be at the scene within thirty (30) minutes of the detention of the non-Indian suspect, and:

- a. The tribal officer establishes to the non-tribal officer that probable cause for the arrest exists; or
- b. When the crime by the non-Indian person is committed or being committed in the tribal officer's presence and an arrest is necessary to protect the public or preserve the evidence.

The non-tribal officer may verbally give the grant of arrest authority to the tribal officer.

## **G. Investigations**

### **1. Unknown Suspect**

- a. When the suspect is unknown and exigent circumstances do not allow for an assessment of whether the persons involved in an incident are Indian or non-Indian, officers of the responding jurisdiction will stabilize the situation and take the lead in the necessary investigatory work.
- b. When the suspect is unknown and it is determined that the victims are both Indian and non-Indian, the responding jurisdiction will lead the investigation with the cooperation of the other jurisdictions until the identity of the suspect is determined.
- c. When the suspect is unknown and it is determined that the victim is Indian, the tribal officers will take the lead in the investigation until the identity of the suspect is determined.
- d. When the suspect is unknown and it is determined that the victim is non-Indian, the non-tribal officers will take the lead in the investigation until the identity of the suspect is determined.

### **2. Known Suspect**

- a. When the suspect is known to be Indian, the tribal officers will take the lead in the investigation.
- b. When the suspect is known to be non-Indian, non-tribal officers will take the lead in the investigation.

- c. When there are multiple suspects known to be Indian and non-Indian, the respective jurisdictions will each conduct investigations in preparation for separate prosecutions. However, each jurisdiction will fully cooperate with the other jurisdiction in its investigation and will share investigatory information with the other jurisdictions.

### **3. Cost of Investigations**

Each jurisdiction will cover the costs of investigations conducted by its officers.

### **H. Cooperative Meetings**

Cooperation Between Local Law Enforcement Agencies - The parties agree to meet once a year throughout the term of this agreement, resources and personnel permitting, to discuss implementation issues, changes in law or process that impact this agreement, or other concerns arising from this agreement.

## **II. CRIMINAL PROCEEDINGS**

### **A. Misdemeanors**

All misdemeanor crimes committed by Indians shall be prosecuted in the Confederated Salish and Kootenai Tribal Court with the exception of those misdemeanor convictions resulting from a guilty plea entered in state court pursuant to a plea bargain agreement reducing a felony to a misdemeanor, or the result of a conviction in state court on a lesser included offense in a felony trial.

The State may retain jurisdiction of Indian persons for misdemeanor crimes in the limited circumstances that they result from a reduction of a felony offense due to a lesser included offense jury instruction at trial. If probation is a part of the sentence, it may be monitored by tribal probation personnel pursuant to agreement between the State and the Tribes.

The State may retain jurisdiction of Indian persons for misdemeanor crimes in the limited circumstance that they result from plea bargains which are negotiated before a trial verdict which reduce felony crimes to misdemeanors. If probation is a condition of the plea bargain, such probation may be monitored by tribal probation personnel pursuant to agreement between the State and the Tribes.

### **B. Concurrent Tribal/State Felony Jurisdiction**

The Tribes continue to retain concurrent jurisdiction with the State over felony crimes committed by Indians, but may transfer prosecution of such crimes to the State. Factors the Tribes will consider when retaining jurisdiction over felony crimes include:

1. Seriousness of crime;
2. Age of defendant;
3. Criminal history of defendant;
4. Ties to the Reservation;
5. Family on Reservation;
6. Sentence upon conviction in state court versus actual jail time likely in tribal jail;
7. Prospect of rehabilitation; and

8. Access to appropriate services.

The State continues to retain jurisdiction, concurrent with that of the Tribe, over felony crimes committed by Indians, but may transfer prosecution of such crimes to the Tribes if warranted.

**C. Transfer of Prosecution**

**1. Reduction from Felony to Misdemeanor Before Trial**

When a crime is charged as a felony by the State, but prosecutorial discretion necessitates a reduction to a misdemeanor before trial, the State prosecutor will inform the tribal prosecutor. After providing adequate time for the tribal prosecutor to file the charging document in tribal court, the State will move to dismiss its action without prejudice.

**2. Upgrade from Misdemeanor to Felony Before Trial**

When a crime is charged as a misdemeanor in tribal court, but evidence necessitates an increase to a felony before trial and the tribal prosecutor determines that the case should be transferred to the State, the tribal prosecutor will inform the appropriate county attorney. After providing adequate time for the county attorney to file the charging document in state court, the tribal prosecutor will move to dismiss its action without prejudice.

**D. Probation**

Probation ordered for all tribal defendants in Tribal Court shall be monitored by tribal probation personnel.

Probation ordered for all tribal defendants who are convicted in a state district court for a felony offense shall remain under state jurisdiction, but may be supervised by tribal probation personnel pursuant to agreement between the State and the Tribes. Tribal probation personnel shall fulfill reporting requirements of state jurisdictions for purposes of revocation. Such revocations shall be within state jurisdiction when the conviction and ordered probation occurred within a state jurisdiction.

**E. Testimony of Law Enforcement Officers at Trial**

All non-tribal law enforcement officers shall abide by the subpoena power of tribal court jurisdiction, and all tribal law enforcement officers shall abide by the subpoena power of state, justice, or city court jurisdiction. Specifically, law enforcement officers agree to provide testimony in all jurisdictions as appropriate.

**F. Communication Between Tribes and Local Agents**

The tribal prosecutors and the state prosecutors shall meet bi-monthly for a period of six (6) months. At the end of the six-month period, the frequency of such meetings shall be reviewed. These meetings will allow an open exchange of information on pending cases to ensure that each jurisdiction is prosecuting cases appropriate for that jurisdiction in good faith. Communication with other jurisdictions shall be on a case-by-case basis.

**III. GENERAL PROVISIONS**

**A. Jurisdiction of State Courts Entering Judgment Prior to Date of Retrocession**

Any state court issuing a judgment of conviction for a misdemeanor offense by an Indian prior to the effective date of retrocession will maintain jurisdiction over the case and the defendant, including jurisdiction to issue contempt orders, until the judgment of conviction is fully satisfied.

**B. Public Access to Court Dockets**

Court dockets of the courts of the respective jurisdictions will be open to the public.

**C. Review of Process**

Any party may request the Attorney General to convene additional meetings at any time during the term hereof, to discuss new developments or suggested improvements or changes to this agreement. The Attorney General will make every effort timely to accommodate such requests.

**D. Effective Date and Term**

The Agreement became effective upon execution by the parties in accordance with its terms, the Tribal Resolution and proclamation of the Governor of Montana. This renewal continues the agreement, as amended, for a term of eight years unless earlier terminated as herein provided. Prior to the expiration of this Agreement, or upon its termination, the parties may agree to the renewal of the Agreement for a term agreed upon by the parties. This clause does not affect the underlying jurisdiction of either party, which was altered by the legislation, the Governor's proclamation, and the Tribes' resolution in 1994, but only the cooperative law enforcement and prosecution aspects of this agreement.

**E. Termination and Withdrawal**

This Agreement may be terminated at any time upon written consent of all parties. Any party may withdraw from this Agreement provided said party gives notice of withdrawal to all other parties by certified mail at least 120 days prior to such withdrawal.

**F. Amendments**

This Agreement may be amended at any time provided said amendments are in writing and signed by all parties to the Agreement.

**G. Negative Declaration**

Nothing in this Agreement shall be deemed as a concession by any party as to any other party's jurisdictional claims or an admission of the same, or a waiver of the right to challenge such claims upon termination of the Agreement. Nothing in this Agreement shall prejudice the right of any individual to challenge the regulatory or adjudicatory jurisdiction of either party. Neither this Agreement nor the activities of the parties pursuant to this agreement shall be deemed as enlarging or diminishing the jurisdiction or authority of any of the parties within the Flathead Reservation.

**H. Liability**

Each party shall remain liable for the acts, errors, or omissions of their officers and employees acting under this Agreement to the same degree that they are currently liable. No party assumes liability for the acts, errors, or omissions of the officers and employees of the other parties. The parties agree that upon mutual consent, represented by an executed addendum attached to this Agreement, the non-Tribal parties may, to the extent allowed under federal law, be treated as federal employees for purposes of liability under the Indian Law Enforcement Reform Act, 25 U.S.C. § 2801 et seq. Any such addendum shall become effective upon execution by the parties and the United States and be incorporated into this Agreement as if in the original, without the need for additional review or approval.

## I. Notices

All notices and other communications required to be given hereunder by the Parties to this Agreement shall be deemed to have been duly given when delivered in person or posted by United States certified mail, return receipt requested, with postage prepaid, addressed as follows:

1. If to the Tribes: Chairman  
Confederated Salish and Kootenai Tribes  
P.O. Box 278  
Pablo, MT 59855
2. If to the State: Attorney General of Montana  
Department of Justice  
P.O. Box 201401  
Helena, MT 59620-1401
3. If to Flathead County: Flathead County Commissioners  
Flathead County Courthouse  
920 South Main Street  
Kalispell, MT 59901
4. If to Lake County:  
(courtesy copy) Lake County Commissioners  
Lake County Courthouse  
106 Fourth Avenue East  
Polson, MT 59860
5. If to Missoula County: Missoula County Commissioners  
Missoula County Courthouse  
200 West Broadway  
Missoula, MT 59802
6. If to Sanders County: Sanders County Commissioners  
Sanders County Courthouse  
Thompson Falls, MT 59873
7. If to the City of Hot Springs: Mayor  
City of Hot Springs  
City Hall  
Hot Springs, MT 59845
8. If to the City of Ronan: Mayor  
City of Ronan  
109 Second Avenue Southwest  
Ronan, MT 59864
9. If to the Town of St. Ignatius: Mayor  
City of St. Ignatius  
City Hall  
St. Ignatius, MT 59865
10. If to the City of Polson: Mayor  
City of Polson  
City Hall  
106 1<sup>st</sup> Street E.  
Polson, MT 59860

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FALTHEAD RESERVATION**

\_\_\_\_\_  
VERNON FINLAY  
Chairman

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**STATE OF MONTANA**

\_\_\_\_\_  
TIM FOX  
Attorney General

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**FLATHEAD COUNTY COMMISSIONERS**

\_\_\_\_\_  
Pamela Holmquist

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Philip B. Mitchell

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Gary D. Krueger

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**MISSOULA COUNTY COMMISSIONERS**

\_\_\_\_\_  
Bill Carey

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Jean Curtiss

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Nicole Rowley

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**LAKE COUNTY COMMISSIONERS**

\_\_\_\_\_  
Bill Baron

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Ann Brower

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Gale Decker

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**SANDERS COUNTY COMMISSIONERS**

\_\_\_\_\_  
Anthony B. Cox

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Carol Brooker

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Glen Magera

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**CITY OF HOT SPRINGS**

\_\_\_\_\_  
Randal Woods  
Mayor

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**TOWN OF ST. IGNATIUS**

\_\_\_\_\_  
Charley Gariepy  
Mayor

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**CITY OF RONAN**

\_\_\_\_\_  
Kim Aipperspach

\_\_\_\_\_  
Dated

**RENEWAL OF MEMORANDUM OF AGREEMENT BETWEEN  
THE STATE OF MONTANA,  
FLATHEAD COUNTY, MISSOULA COUNTY,  
SANDERS COUNTY, CITY OF HOT SPRINGS, CITY OF RONAN, CITY OF POLSON,  
TOWN OF ST. IGNATIUS  
AND  
THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
OF THE FLATHEAD NATION**

**SIGNATURE PAGE**

**CITY OF POLSON**

\_\_\_\_\_  
Heather Knutson

\_\_\_\_\_  
Dated

## CITY OF POLSON AGENDA ITEM SUMMARY

---

Consent Agenda Item Number: 5.I  
Meeting Date: September 9, 2015  
Staff Contact: Beth Smith, Planning Technician  
Email address: [bp@cityofpolson.com](mailto:bp@cityofpolson.com) phone: 883-8214

---

**AGENDA ITEM SUMMARY: Request for Annexation by petition 7-2-4601.** (1) The boundaries of any incorporated city or town may be altered and new areas annexed as provided in this part. (2) The council or other legislative body of a municipal corporation, upon receiving a written petition for annexation containing a description of the area to be annexed and signed by not less than 33 1/3% of the registered electors of the area proposed to be annexed, shall without delay submit to the electors of the municipal corporation and to the registered electors residing in the area proposed by the petition to be annexed the question of whether the area should be made a part of the municipal corporation. (3) (a) The governing body of a municipality need not submit the question of annexation to the qualified electors as provided in subsection (2) if it has received a written petition containing a description of the area requested to be annexed and signed by:

- (i) more than 50% of the resident electors owning real property in the area to be annexed; or
- (ii) the owner or owners of real property representing 50% or more of the total area to be annexed.

(b) The governing body may approve or disapprove a petition submitted under the provisions of subsection (3)(a) on its merits. When the governing body approves the petition, it shall pass a resolution providing for the annexation.

**BACKGROUND:** The City of Polson Planning Department received a Petition for Annexation from Hans Lund owner of 13<sup>th</sup> Avenue Properties, LLC. Tax Id #37037.

**ANALYSIS:** Annexation is necessary to develop property within the Corporate City Limits

**FINANCIAL CONSIDERATIONS:** Consider the projected tax base the City of Polson will receive from these lots as developed in the assigned zoning MRZD.

**STAFF RECOMMENDATION:** The City of Polson Planning Department recommends the Annexation of these two lots.

**SUGGESTED MOTION:** Approve Resolution of Annexation Item 5.1 of the Consent Agenda.

**ATTACHMENTS:** Petitions for Annexation, Affidavit of Ownership, Survey of lots, proposed Resolution of Annexation.



106 1st Street E., Polson, MT 59860  
 406-883-8200 Fax 406-883-8238  
 www.cityofpolson.com



**PETITION FOR ANNEXATION**

NAME OF APPLICANT: Hans Lund 13th Ave Property #03  
 MAIL ADDRESS: Box 186  
 CITY/STATE/ZIP: Polson Mo 59860 PHONE: 261-7956  
 INTEREST IN PROPERTY: Owner

**Other Parties of Interest to be Notified:**

PARTIES OF INTEREST: \_\_\_\_\_  
 MAIL ADDRESS: \_\_\_\_\_  
 CITY/STATE/ZIP: \_\_\_\_\_ PHONE: \_\_\_\_\_  
 INTEREST IN PROPERTY: \_\_\_\_\_

**PLEASE COMPLETE THE FOLLOWING:**

Address of the property: F  
 Legal Description: E 1/2 and W 1/2 S 1/4 Tract 2 Butcher Tracts  
 (Lot and Block of Subdivision; Tract #)  
S10 T22N R20W  
 (Section, Township, Range) (Attach metes and bounds as Exhibit A)

Land in project (ac): 2.4  
 Current estimated market value 70,000 at 50% build out \_\_\_\_\_  
 at 100% build out \_\_\_\_\_

Is there a Rural Fire Department RSID or Bond on this property Yes  No \_\_\_\_\_  
 If yes remaining balance is \$ 56.52

The present zoning of the above property is: MR2D  
 The proposed zoning of the above property is: MR2D

The signing of this application signifies that the foregoing information is true and accurate based upon the best information available and further grants approval for Polson Planning staff to be present on the property for routine inspection during the annexation process.

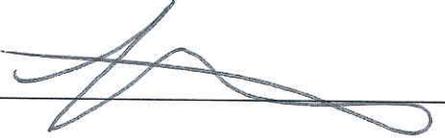
[Signature]  
 (Applicant)

8-24-16  
 (Date)



# Affidavit

I Hans Lund the undersigned Managing Member of 13<sup>th</sup> Avenue Properties, LLC owner of Section 11, Township 22 North, Range 20 West, P.M.M., Lake County MT do hereby waive our right of protest to the formation of a Special Improvement District for improvements required for the extension of services and road improvements. With this waiver of Protest, We understand that we the 13<sup>th</sup> Avenue Properties, LLC will only be responsible for our proportionate share, totaling 2.4 acres.

  
\_\_\_\_\_

State of MONTANA

County of LAKE

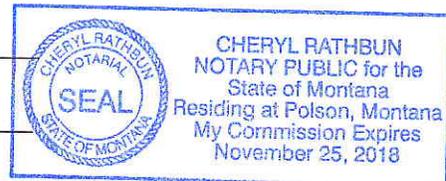
On this 28 day of Aug, 2015, before me the undersigned, a Notary Public for the State of Montana, personally appeared, known by me to be the person(s) whose name(s) is/are subscribed to the above instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year of this Certificate first above written.

  
Notary Public for the State of Montana

Residing at \_\_\_\_\_

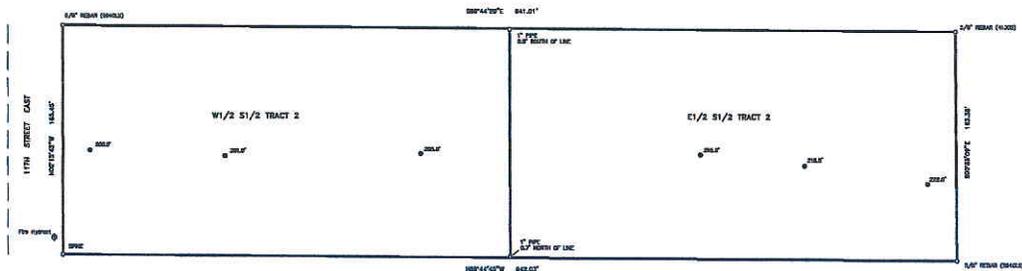
My commission expires \_\_\_\_\_



THE S1/2 OF TRACT 2 OF BOETTCHER TRACTS  
 A RECORDED SUBDIVISION IN SECTION 10, T22N, R20W, LAKE COUNTY, MONTANA

DATE OF SURVEY: APRIL, 2015

TOTAL AREA = 2.40 Acres



**LEGEND**  
 ○ MONUMENT FOUND AS NOTED  
 ● SPOT ELEVATION



— LEGAL DESCRIPTION —

**SURVEYOR'S CERTIFICATION**

JOHN H. BERRY, PLS, License Number 66138843

Subst No. \_\_\_\_\_ Day of \_\_\_\_\_, 2015

CHAINED SURVEY FOR MULTIPLE PLOTS

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ AT \_\_\_\_\_ COUNTY, MONTANA  
 CLERK AND RECORDS DEPT. \_\_\_\_\_ DEPUTY

Return to:

City Clerk  
City of Polson  
106 First Street East  
Polson, MT 59860

**CITY OF POLSON  
RESOLUTION NUMBER 2015-\_\_\_\_**

**A RESOLUTION EXTENDING THE CORPORATE LIMITS OF THE CITY OF POLSON, MONTANA, TO ANNEX WITHIN THE BOUNDARIES OF THE CITY, WITH CONDITIONS, CERTAIN TRACTS AND PARCELS OF LAND DESCRIBED HEREINAFTER.**

**LEGAL DESCRIPTION:** Those certain tracts of real property known as:

**E 1/2 and W 1/2 of S 1/2 of Tract 2 of Boettcher Tracts in Section 10, T22N, R20W, P.M.M., on file and of record in the Office of the Lake County, Montana Clerk and Recorder, Geo 3228-10-2-51-04-0000.**

As shown on map attached as Exhibit A hereto and made a part hereof.

**WHEREAS**, Hans Lund, as the owner of the above described parcel, has filed a petition with the City Clerk requesting annexation of such properties into the corporate boundaries of the City of Polson; the Polson City Commission has considered this petition for annexation pursuant to the statutory annexation by petition method set forth in Title 7 Chapter 2 Part 46 Section 4601 (3)(a)(ii) Montana Code Annotated (MCA), and

**WHEREAS**, the herein described property is proposed for immediate development as appropriate for the assigned zoning district and will require sewer and water services for its facility; that the petitioners understand that they will be responsible for costs associated with such interior and exterior infrastructure that may be necessary to support such future development; and

**WHEREAS**, all development of these properties is subject to the rules, regulation and requirements of the City, including the provision of Services Plan of the City of Polson; and

**WHEREAS**, it was determined that the City is able to provide services for fire and police to the property; **FURTHER** that said services will commence upon the effective date of the annexation: and

**WHEREAS**, the parcel described herein is currently zoned County MRZD and should continue the same as City MRZD which is appropriate and compatible with the use proposed; **FURTHER**, this parcel is situated adjacent to City Commission Voting Ward No. 2 and it is the intention of the Commission to add this parcel to said Ward;

**WHEREAS**, the petitioners have executed waivers of protest, for themselves, their heirs and assigns, to the imposition of special improvement districts for water, sewer, and streets for a term not to exceed 25 years, if the same becomes necessary;

**WHEREAS**, the petition for annexation was duly heard by the City Commission upon notice on the 9<sup>th</sup> of September 2015; the Commission, having fully heard the testimony and reviewed the materials submitted by the City Planning staff in support of such Petition, finds that the annexation of these properties is deemed to be in the best interest of the City of Polson, the inhabitants thereof and for the future use of the land described herein. **FURTHER**, such property is within the urban growth boundary that the boundaries of the City of Polson and the extension of such boundary is within the scope of the Polson Growth Plan;

**NOW, THEREFORE, BE IT RESOLVED**, that the corporate limits of the City of Polson be and are extended to incorporate and annex the tract of land herein described; and

**BE IT FURTHER RESOLVED**, that Commission finds that the property meets the criteria of the Services Plan of the City of Polson, the extension of City services, and the Polson Growth Policy;

**BE IT FURTHER RESOLVED**, that the property is hereby zoned MRZD; and is assigned to City Commission Voting Ward No. 2;

**BE IT FURTHER RESOLVED** that the minutes of City Commission of the City of Polson, Montana, incorporate this resolution;

**BE IT FURTHER RESOLVED** that if the city annexation of any lot(s), parcel(s), block(s) or tract(s) of land annexed into the city pursuant to this city annexation resolution or any provision of this resolution is ever held to be invalid or unconstitutional, the City Commission hereby declares that any such decision shall not affect the validity of the annexation of the remaining lot(s), parcel(s), block(s) or tract(s) of land annexed into the city or the remaining provisions of this resolution. The City Commission hereby declares that it would have passed this resolution and annexed each lot(s), parcel(s), block(s) or tracts(s) of land into the city as well as each provision of this resolution irrespective of the fact that the annexation of any one or more lot(s), parcel(s), block(s) or tract(s) of land annexed into the city or provision of this resolution may have been declared invalid or

unconstitutional, and if for any reason the annexation of any lot(s), parcel(s), block(s), tract(s) of land or any provision of this resolution should be declared invalid or unconstitutional, then the annexation of the remaining lot(s), parcel(s), block(s) or tracts(s) of land and resolution provisions are intended to be and shall be in full force and effect as enacted by the City Commission; and

**BE IT FURTHER RESOLVED** that the City Clerk is hereby instructed to file this resolution with the Clerk and Recorder of Lake County. This annexation shall become effective from and after the date of the filing of said document with the Lake County Clerk and Recorder.

**PASSED AND ADOPTED** this 9<sup>th</sup> day of September, 2015.

**CITY OF POLSON**

Heather Knutson, Mayor

Attest:

Mark Shrives, City Manager

Cora Pritt, City Clerk

STATE OF MONTANA        )  
  :SS.  
County of Lake                )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2015, before me the undersigned Notary Public for the State of Montana, personally appeared **Heather Knutson**, known to me to be the Mayor of the City of Polson and known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my Notarial Seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public for the State of Montana

SEAL

Residing at Polson, Montana  
My commission expires: \_\_\_/\_\_\_/20\_\_\_

5j.

**SEMI-ANNUAL REPORT OF TAX AND ASSESSMENTS RECEIVABLE  
JUNE 30, 2015**

To: City of Polson Commissioners  
From: Cindy M Dooley, CPA  
Finance Officer

Tax year 2014 is the latest year for which real estate, personal property and special assessments have been billed and paid. The following is the information related to tax year 2014 as of June 30, 2015:

<b>Tax Year 2014</b>	<b>Values</b>	<b>Total Mills</b>	<b>Tax Amounts</b>
<b>Total Market Value</b>	\$411,606,950		
<b>Certified Taxable Value</b>	\$ 9,795,099		
<b>General Fund Levy</b>	\$9,795/mill	123.85	Tax estimate = \$1,213,111
<b>Permissive Medical Mill Levy</b>	\$9,795/mill	9.50	Tax estimate = \$ 93,053
<b>Local Government Study Commission (Voted)</b>	\$9,795/mill	1.48	Tax estimate = \$ 14,500
<b>Police Municipal Services Levy (Voted)</b>	\$9,795/mill	19.95	Tax estimate = \$ 195,410

<b>Tax Year 2014 Levy</b>	<b>Tax Amount Billed</b>	<b>Tax Amount Received</b>	<b>Tax Receivable</b>
<b>General Fund</b>	\$1,209,613	\$1,179,021	\$30,592
<b>Permissive Medical Levy Fund</b>	\$ 92,784	\$ 90,437	\$ 2,347
<b>Local Government Study Commission Fund</b>	\$ 14,455	\$ 14,089	\$ 366
<b>Police Municipal Services Levy Fund</b>	\$ 194,848	\$ 189,920	\$ 4,928

This represents a 97.47% collection rate on the tax year 2014 taxes billed. For the same time period one year previous for tax year 2013 there was a 97.44% collection rate.

Semi-annual Report of Tax and Assessments Receivable

June 30, 2015

Page 2 of 2

For tax years prior to 2014, each fund had the following delinquent tax receivables:

Fund	Prior Years Tax Receivables
<b>General Fund</b>	\$3,225
<b>Permissive Medical Levy</b>	\$ 161
<b>Local Government Study Commission</b>	\$ 0
<b>Police Municipal Services Levy</b>	\$ 516

There were no outstanding protested taxes at June 30, 2015.

For tax year 2014, the City had the following transactions for special assessments:

Tax Year 2014 Assessments	Assessment Amount Billed	Assessment Amount Received	Assessment Receivable
<b>SID #42 "Streetscape"</b>	\$68,634	\$61,965	\$6,669
<b>Street Light Maintenance District #19</b>	\$14,078	\$13,824	\$ 254
<b>Street Light Maintenance District #20</b>	\$ 4,871	\$ 4,705	\$ 166
<b>Noxious Weed Control Maintenance</b>	\$ 2,900	\$ 2,265	\$ 275
<b>Delinquent Utility Assessments</b>	\$ 1,943	\$ 1,411	\$ 532

For tax years prior to 2014, each special assessment fund had the following delinquent receivables:

Fund	Prior Years Assessments Receivable
<b>SID #42 "Streetscape"</b>	\$0
<b>Street Light Maintenance District #19</b>	\$8
<b>Street Light Maintenance District #20</b>	\$0
<b>Noxious Weed Control Maintenance</b>	\$0
<b>Delinquent Utility Assessments</b>	\$0

# **RESOLUTION NO 2015-020**

## **Polson Police Department Appreciation of Service Season**

**Effective Date: Wednesday September 9, 2015 – October 17, 2015**

**WHEREAS**, the dedicated men and women of the Polson Police Department serve and protect our citizens and ensure our community is healthy and safe every day; and

**WHEREAS**, Polson police officers are highly trained and many make daily personal sacrifices to maintain public peace and order, enforce traffic laws, conduct search and rescue operations, investigate allegations of human abuse or neglect, respond to citizen inquiries, protect life and property, and provide current and relevant law enforcement training to law enforcement and criminal justice agencies; and

**WHEREAS**, Polson's police officers wear a badge – a symbol of authority granted by oath – and vows to uphold the highest ideals of law enforcement and truth, regardless of outcome. A badge marks an officer's courage to make the right decisions in the face of extremely dangerous situations and moral dilemmas, and to show compassion to those in need without bias, regardless of circumstances or condition; and

**WHEREAS**, members of the Polson Police Department and members of other law enforcement agencies throughout our community work to carry out their core values of Loyalty, Integrity, Courage, Compassion, Leadership, and Accountability; and

**WHEREAS**, we appreciate not only the City of Polson police officers, but also express the City's appreciation to all law enforcement agencies and officers who remain steadfast, honorable, and uncompromised in the performance of duty while exhibiting leadership and professional conduct in service to our citizens ; and

**WHEREAS**, it is important to recognize our everyday heroes and their families for their bravery, selfless duty, and commitment to our citizens. At the same time, we also want to honor one of our own, Officer William Cleveland, who is today battling a life threatening disease, and for whom this season of service is dedicated, as the community steps forward, sponsoring numerous fundraisers for Officer Cleveland and his family.

**NOW, THEREFORE**, I, Heather Knutson, Mayor of the City of Polson, do hereby proclaim, September 9, 2015 to October 17, 2015 as a period to express our appreciation for our officers service and declare this time period as Polson Police Department Appreciation of Service Season. I encourage all citizens to recognize and express appreciation for our Polson police officers and all officers representing other agencies serving our community, thanking them for their honorable profession in public service to us all.

Dated: September 9, 2015

---

Heather Knutson, Mayor  
City of Polson

# CITY OF POLSON

## CITY COMMISSION AGENDA ITEM SUMMARY

---

Agenda Item Number: 9 (MOTION) Polson Development Code  
Meeting Date: September 9, 2015  
Staff Contact: Mark Shrives

---

**AGENDA ITEM SUMMARY:** Provide Direction for City Staff regarding Polson Development Code.

**BACKGROUND:** The City and County for several years has been working cooperatively drafting a new Polson Development Code. The current 1993 document is outdated and does not address many of the pressures and changes in development practices and techniques that have changed over the last 20 years. Over the last year, there have been public hearings held reviewing the final draft of the development code. At the same time, the County Commissioners have become more engaged in the process and have raised several issues as they have begun a more thorough review. Their involvement and interest is a good sign, but it has come very late in the process and now may throw a process that has been going on for several years back even further based on the recent concerns they have expressed. See email from Gale Decker, Chair of the Lake County Commissioners (Attachment 1).

**ANALYSIS:** In a previous meeting, you were provided options by the Dave DeGrandpre, the consultant who has been working on this project. In his memo (Attachment 2), he saw two options available; wait for the County Commissioners to complete their and their legal team review, or to abandon the City County Planning Board structure, form a City Planning Board and adopt the new development code only within the City of Polson.

As staff has further reviewed our options, there may be another path to be followed to achieve both the City and County goals. I have not yet fully confirmed this with the City Attorney or our project planning consultant, but I have had some initial discussions with them and feel this may be a viable solution.

It is staff's our feeling we should encourage the County to maintain the City County Planning Board and its review of the developments in the separate jurisdictional areas. There is nothing wrong or difficult if the County has different performance standards than the City. Currently, the County is not experiencing very much pressure in planning and the current code seems to meet their needs. However, Polson is finding itself trying to address problems and issues that arise because of development pressure and the current City code was never designed to handle the depth and breadth of anticipated growth. An excellent example of some of these issues is the presentation involving Polson Landing. Many of the issues they have raised and are asking for relief of, have already been corrected in the new development code. The City can move toward our own performance standards and still work very cooperatively with the County along our exterior boundary. As the doughnut area in the County is currently zoned it needs the standards set by the county as a part of its comprehensive planning effort. We need ours. The County needs more time to consider the needs of its citizenry and so it makes sense that they would continue to analyze and review the development code for the County. The City has spent a great deal of time, money and effort to deliver a product that works for its citizens. It is time to move to adopt the proposed development code for the City. .

**FINANCIAL CONSIDERATIONS:** The City can no longer continue to fund the entire project, especially considering the desire by the County to continue to review the new code with their legal team. In addition, as referenced in Commissioner Decker's letter, the County will not be contributing any funds to the completion of the project. In order to complete the City portion of the project by the end of the year, an additional \$2000 has been budgeted in this year's budget.

**STAFF RECOMMENDATION:**

1. The City of Polson should move forward and adopt a 2015 Polson Development Code that address development within the city limits of Polson
2. Keep the current City County Planning Board intact and ask them to review developments in the City and County based on two sets of standards/rules. In the area outside the city limits their review will be based on the current 1993 Development Code that has been adopted by the City and County. Once the County has completed their review, they will be able to update the 1993 Code and incorporate or correct any concerns they identify. Within the city limits of Polson, the City/County Planning Board will review developments based on the new 2015 Polson Development Co

**SUGGESTED MOTION:** *NONE PROVIDED AT THIS TIME*

**ATTACHMENTS:**

1. Email from County Commissioner Gale Decker
2. Memo from Dave Degrandpre

## Mark Shrives

---

**From:** Gale Decker <gdecker@lakemt.gov>  
**Sent:** Thursday, August 27, 2015 11:52 AM  
**To:** Mark Shrives  
**Cc:** LaDana Hintz  
**Subject:** RE: Polson Development Code

Good morning Mark,

We are certainly willing to set up a meeting with you next week. The Commissioners and Lake Co. Planning are still going through the document and identifying parts of the PDC that differ from county regulations, or may not align with Montana codes. The list is lengthy, and in our opinion, will not be quickly resolved. This doesn't mean that we are unwilling to move forward with resolving differences. The county is of the opinion that the final document should be accurate and workable as amending the document after adoption is time consuming and expensive for the county. We would not be able to provide a written compilation by next week, as this is still a work in progress.

The county would not be willing to contribute towards the City's costs of getting the PDC in final form. We feel that the county has paid for a significant amount of staff time in our Planning and GIS departments working on the project.

Thanks,  
Gale Decker

---

**From:** Mark Shrives [<mailto:citymanager@cityofpolson.com>]  
**Sent:** Wednesday, August 26, 2015 11:44 AM  
**To:** Gale Decker  
**Cc:** Bill Barron; Ann Brower; 'Heather Knutson'; 'Stephen Turner '; 'Stephen Turner'; 'Ken Siler'; 'Jill Southerland'; 'Todd Erickson'; [ward3-donovan@cityofpolson.com](mailto:ward3-donovan@cityofpolson.com); 'John Campbell'  
**Subject:** Polson Development Code

Hi Gale,

I was hoping to set up a time either tomorrow, or maybe early next week to discuss the development code with yourself, Ann and Bill. I am hoping to get an idea of the issues you are wrestling with in order to determine their magnitude and how long it may take to work through them and I also need to find out if the County is going to be able to contribute to any ongoing joint effort to get this project completed. At this point, the City has invested around \$78,000, and the longer the project is delayed and the more complicated it becomes only means more consulting costs. The City can't continue to bear these costs.

Please let me know if we can set up a meeting soon, as I would like to provide the City Commission an update at our September 9<sup>th</sup> City Commission meeting. Thanks

**Mark Shrives**  
**City Manager**  
**City of Polson, MT**

(406) 883-8207

*Attachment 1*

## MEMORANDUM

**To:** Polson City Commissioners  
**From:** Dave DeGrandpre, AICP  
**C/O:** Mark Shrives, Polson City Manager  
**Date:** August 17, 2015  
**RE:** Options for completing the update of the Polson Development Code

---

The Polson Development Code (PDC) includes the zoning, subdivision and development standards for the City of Polson and surrounding Lake County jurisdictional area. The PDC was adopted in 1993 and is out of step with state law and current planning practice in many respects. Over past several years I have been working with a committee of knowledgeable citizens and City of Polson and Lake County officials to review and edit a comprehensive update to the PDC. Because Montana zoning law includes separate processes and requirements for cities and counties, the update has been strategically written to include both the city and county processes and includes many City of Polson and Lake County references in the text, zoning map, flow charts, etc.

Last spring the Lake County Commissioners decided to step back and examine whether to continue with the update process. The specific issues Lake County is concerned about and a timeframe for resolving the issues have not been provided. At this point the City Commission has two options:

1. To wait for Lake County officials to provide a list of concerns and work with them on finding suitable solutions, or
2. To abandon the City-County Planning Board structure in cooperation with Lake County, form a City Planning Board, and revise the text and map to only reference the City of Polson.

### Discussion

The purpose of having a uniform set of regulations for both a city and surrounding county area is to provide common standards for development and for urban services to be provided efficiently as a city grows. The Polson City-County planning board is valuable because it provides for consistent review of development projects under one set of rules in the 'community of Polson,' and also because it provides an institutionalized means of

*Attachment 2  
pg 1 of 2*

communication between local governments about growth and development issues. However, sometimes cities and counties have different political interests, different 'personalities' and different ways of doing business. In Montana there are many examples of cities and counties choosing to work separately instead of together.

In my opinion, it is advantageous to the City of Polson to maintain the current planning board structure because it allows the City to have some influence over growth and development on its outskirts. However, there are limits: this project has been going on for over six years and it is necessary to bring it to a conclusion. Also, because development is occurring rapidly around Polson and the 1993 PDC in some ways does not support good growth, there is urgency to resolve this situation.

If the City chooses to pursue working with the County to identify and resolve whatever issues the County may bring forward, I suggest a timeline and commitment to adhere to it be established. I have offered to volunteer 10 hours of Land Solutions' time to help resolve the issues. The main question I have is whether the County Commissioners and the Planning Director truly want to maintain the current planning board and regulatory structure. This question is primary, and should be answered before investing any further energy in the project.

If the City Commission chooses to abandon the current structure, under 76-1-105, MCA, the City would notify the County in writing of its intention to dissolve the Polson City-County Planning Board and form a City Planning Board. Lake County would then have 30 days to decide whether to maintain the City-County Planning Board or to permit the City to form its own planning board. If the County decides to have separate planning boards, they would have to figure out what rules would be in effect around Polson and adopt some sort of zoning (or none) through a separate process, which would take considerable time and effort, but is not necessarily the City's concern.

In terms of a timeline and costs, it would take no more than 50 hours to remove all references to Lake County from the updated draft text, map and charts. This would cost less than \$4,000 and would occur concurrently with the dissolution of the City-County Planning Board. Once those steps are complete, the public hearing and adoption process could begin. I would expect a City Planning Board could be appointed and the revised PDC could be adopted around the end of 2015. I look forward to discussing these options with you shortly.

Best Regards,



---

# COTE & ASSOCIATES, CPA, PLLC

---

Phone: 406-543-8088  
Fax: 406-543-8088

1225 Cleveland, Suite 1  
P.O. Box 430  
Missoula, MT 59806

To: Polson City Commission

Date: September 9, 2015

Re: Presentation of the Fiscal 2014 Audit Report

Tips for reading the Audit Report (there is a table of contents at the beginning of the report):

1. The auditor issues two reports which are bound with the audited financial statements.
  - a) Report with opinions on the financial statements is on pages 1-2.
    - a. There are three kinds of opinions ranging from “unqualified” which means the financial statements are presented fairly, in all material respects; to “qualified” which would specify exceptions to an unqualified opinion; or “unable to express an opinion”.
    - b. For government financial statements the auditor is actually giving opinions on different units of the financial statements. For Polson the opinion units were:
      - All governmental funds in the government-wide statements
      - All business-type funds in the government-wide statements
      - Each major fund ( there are 8)
      - The aggregate remaining funds
    - c. For Polson all opinion units received an unqualified opinion.
  - b) 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* is on pages 48-49.
    - There are no opinions in this report; just a description of work and findings, if any. There were two findings for the City of Polson.
  - c) Schedule of Findings and Questioned Costs on pages 50-51 describes the two findings.
2. The City’s financial statement package is on pages 4-47.
  - a) The Management’s Discussion and Analysis (MD&A) on pages 4-13 is a quick overview of the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013 along with discussions of changes.
  - b) Pages 14-22 are various financial statements. An explanation of the types of statements is included on pages 4-6 of the MD&A.
  - c) Pages 23-45 are notes to the financial statements which contain required disclosures for government financial statements. Notes also expand information desired by readers of the financial statements such as schedules of capital assets (pages 34-35) and schedules of debt (pages 37-41).
  - d) Page 46 is a budget to actual schedule for the General Fund.
  - e) Page 47 is a budget to actual schedule for the Tax Increment Financing District.

CITY OF POLSON  
Lake County, Montana

AUDITED FINANCIAL STATEMENTS AND  
REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

June 30, 2014

Cote & Associates, CPA, PLLC  
P.O. Box 430  
Missoula, MT 59806  
(406) 543-8088

City of Polson  
Lake County, Montana

TABLE OF CONTENTS

Independent Auditor's Report	Pages 1-2
Organization	Page 3
Management's Discussion and Analysis	Pages 4-13
Financial Statements	
Government-Wide Statement of Net Position, As of June 30, 2014	Page 14
Government-Wide Statement of Activities, For the Fiscal Year Ended June 30, 2014	Page 15
Balance Sheet-Governmental Funds, As of June 30, 2014	Page 16
Reconciliation: Governmental Funds Balance Sheet to the Statement of Net Position, As of June 30, 2014	Page 16
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds, For the Fiscal Year Ended June 30, 2014	Page 17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Government-Wide Statement of Activities, For the Fiscal Year Ended June 30, 2014	Page 18
Statement of Fund Net Position-Proprietary Funds, As of June 30, 2014	Page 19
Statement of Revenues, Expenses and Changes in Fund Net Position-Proprietary Funds, For the Fiscal Year Ended June 30, 2014	Page 20
Statement of Cash Flows-Proprietary Funds, For the Fiscal Year Ended June 30, 2014	Page 21
Statement of Fiduciary Net Position, As of June 30, 2014	Page 22
Notes to the Financial Statements	Pages 23-45
Required Supplementary Information	
General Fund-Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual, (Non-GAAP Budgetary Basis) for the Fiscal Year Ended June 30, 2014	Page 46
Tax Increment District-Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual, (Non-GAAP Budgetary Basis) for the Fiscal Year Ended June 30, 2014	Page 47
Report on Internal Control over Financial Reporting and on Compliance and other matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	Pages 48-49
Schedule of Findings and Questioned Costs and Report on Prior Findings	Pages 50-51

---

# COTE & ASSOCIATES, CPA, PLLC

---

Phone: 406-543-8088  
Fax: 406-543-8088

1225 Cleveland, Suite 1  
P.O. Box 430  
Missoula, MT 59806

## INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Polson  
Lake County, Montana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Polson (City), Lake County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014 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 and the budgetary comparison information on pages 4-13 and 46-47 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. I 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 inquires of management about the methods of preparing information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide an assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

Cote & Associates, CPA, PLLC

July 31, 2015  
Missoula, Montana

City of Polson  
Lake County, Montana

ORGANIZATION

For the fiscal year ended June 30, 2014

Mayor	Heather Knutson (Jan 2014-Current)
Mayor	Patricia DeVries (Jul 2013-Dec 2013)
Commissioner/President	Michael Lies (Jul 2013-Dec 2013)
Commissioner/President	John Campbell
Commissioner	Todd Erickson
Commissioner	Stephen Turner
Commissioner	Jill Southerland (Nov 2013-Current)
Commissioner	Ken Siler
Commissioner	Fred Funke (Jul 2013-Dec 2013)
Commissioner	Dan Morrison (Deceased)
City Manager	Mark Shrives (Oct 2013-Current)
Interim City Manager	Karen Sargeant (Jul 2013-Sept 2013)
Attorney	James Raymond (Jul 2013-Dec 2013)
Attorney	Richard Gebhardt (Jan 2014-Current)
Chief of Police	Wade Nash
Fire Chief	John Fairchild
City Clerk	Cora Pritt
Finance Officer	Cindy Dooley
City Judge	A. Doug Olson
Building and Planning Official	Sands Surveying (Erica Wirtala)
Building Inspector	Michael Howke
Water/Sewer Superintendent	Anthony Porrazzo
Director of Golf	Links Management, Inc (Roger Wallace)
Golf Maintenance Supervisor	Pat Nowlen
Streets Superintendent	Terry Gembala
Parks Superintendent	Karen Sargeant
Utility Billing	Forrest Niemeyer
Office Manager/Payroll Clerk	Ardrene Sarracino

# MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

The City of Polson (City) management discussion and analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with additional information we have furnished in the City's financial statements, which follow this narrative, to garner a greater understanding of the City's financial performance.

**Financial Highlights**

- The assets of the City exceeded its liabilities at June 30, 2014 by \$23,567,525 (net position) compared with \$23,242,890 at June 30, 2013. Of this amount, \$3,776,021 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens, vendors and creditors.
- The City's total net position increased by \$324,635 representing a 1.4% increase from 2013 as previously presented.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,379,609, an increase of \$101,423 from the prior year as previously presented. Of the fund balance amount, \$351,981 is available for spending at the government's discretion (unassigned fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$407,590, or 17.41% of total general fund expenditures and other financing uses.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The *Statement of Net Position and Statement of Activities* provide information about all City activities, presenting both an aggregate view of the City's finances and a longer-term view of those assets. The fund financial statements (governmental, proprietary and fiduciary) provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what resources remain for future spending. The fund financial statements also look at the City's most significant funds individually with all other funds presented in aggregate in a single column.

**The government-wide perspective of the City of Polson**

*Statement of Net Position and the Statement of Activities*

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. To answer the question, "How did the City do financially during the year?", we turn to the *Statement of Net Position and the Statement of Activities*. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies with the difference between the two reported as *net position*. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. For example, property taxes that have been billed out but not paid are reported as revenue in the government-wide statements but are not considered revenue in the governmental funds statements until paid.

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

These two statements report the City's net position and the change in that position during the most recent fiscal year. The change in net position is an important indicator of whether the City's financial position as a whole is improving or deteriorating over time. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base should also be evaluated.

The Statement of Net Position and the Statement of Activities, divide the City into three activities:

- Governmental Activities—These activities are principally supported by taxes and intergovernmental revenues. Most of the City's services are reported here including general government, public safety, public works, housing and community development, culture and recreation and conservation of natural resources.
- Business-Type Activities—These activities charge a usage fee to recover all or a significant portion of their costs. The business-type activities of the City include a golf course, water utility, sewer utility and associated stormwater utility.
- Component Units—The City does not have any component units for fiscal year 2014.

### **The fund-level perspective of the City of Polson**

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In addition to the General Fund, the City has established other funds to account for the various services provided to our citizens. These funds normally have a restriction on how monies can be spent so the use of separate funds maintains the necessary control. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. The nonmajor funds are reported in aggregate.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the *long-term* impact of the City's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirty five individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Fund 2310 – Tax Increment Financing District, Fund 3542 – SID #42 Streetscape Main Street Improvement debt service Fund and Fund 4530 – Tax Increment Financing District City Dock and Walkpath Project construction fund which is considered a major fund. Major funds are determined by a formula that considers the percentage of total governmental assets, liabilities, revenues and expenditures contained in each individual fund. Data from the other governmental funds are combined into a single, aggregated presentation.

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

**Proprietary Funds** – The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has six enterprise funds; the golf course, water utility and associated impact fees (combined for reporting purposes), sewer utility and associated impact fees (combined for reporting purposes), and stormwater utility.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise funds use the full accrual basis of accounting which uses total (current and long-term) financial resources to measure its change in financial position. The enterprise fund financial statements provide detailed information for the Golf Fund, Water Fund (including Water Impact Fees), and the Sewer Fund (including Sewer Impact Fees) which are considered to be major funds for the City. Data from the other enterprise fund, stormwater is combined in a single, aggregated presentation.

**Fiduciary Funds** – These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also includes required supplementary information to further enhance the user's understanding of the City's financial position. The City adopts annual appropriated budgets for its governmental and proprietary funds. A schedule providing budgetary comparison has been provided to demonstrate compliance with both the original and final budgets. Required supplementary information can be found beginning on page 46 of this report.

**Government-wide Financial Analysis**

**Net Position** – As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the City, net position was \$23,567,525 and represents the amount that assets exceeded liabilities at the close of the most recent fiscal year.

*Governmental Funds*

The following table provides a summary comparison of the City's governmental net position for fiscal years 2014 and 2013 and changes in the assets and liabilities.

	<b>Governmental activities</b>		<b>Change</b>	<b>%</b>
	<b>2014</b>	<b>2013</b>		
Current and other assets	\$ 2,277,223	\$ 2,143,797	\$ 133,426	6%
Capital assets	4,560,690	3,968,663	592,027	15%
Total assets	\$ 6,837,913	\$ 6,112,460	\$ 725,453	12%
Current and other liabilities	\$ 418,929	\$ 342,178	\$ 76,751	22%
Long-term liabilities	1,318,861	647,419	671,442	104%
Total liabilities	\$ 1,737,790	\$ 989,597	\$ 748,193	76%
Net Position:				
Net investment in capital assets	\$ 3,170,840	\$ 3,318,199	\$ (147,359)	-4%
Restricted	1,572,659	1,498,581	74,078	5%
Unrestricted	356,624	306,083	50,541	17%
Total net position	\$ 5,100,123	\$ 5,122,863	\$ (22,740)	0%

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

By far the largest portion of the City's governmental net position (62 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) net of depreciation, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$1,572,659 of the City's governmental net position (31 percent) represents resources that are subject to external restrictions on how it may be used. The remaining balance of unrestricted net position, \$356,624 (7 percent) may be used to meet the government's ongoing obligations to its citizens, vendors and creditors.

The increase in current assets is due mainly to an increase in amounts due from Lake County – a greater portion of the second half revenue was not received until July. The increase in capital assets is due mainly to construction that is progressing on the new City Dock and the walkpath under the bridge. See Note 7 for more information on capital asset activity. The increase in current liabilities is due to slight increase in wages payable, retainage payable and the liability for TIFD personal property taxes which is a reclassification of tax receivables that is made due to a negative increment for personal property. Long-term liabilities increased significantly due to TIFD urban renewal bonds issued for construction of the City dock and walkpath under the bridge. See Note 8 for more information on long-term debt activity.

*Business-type Funds*

The following table provides a summary comparison of the City's business-type net position for fiscal years 2014 and 2013 and changes in the assets and liabilities.

	<b>Business-type activities</b>		<b>Change</b>	<b>%</b>
	<b>2014</b>	<b>2013</b>		
Current and other assets	\$ 3,768,436	\$ 3,753,714	\$ 14,722	0%
Capital assets	15,446,077	15,266,363	179,714	1%
Total assets	<u>\$ 19,214,513</u>	<u>\$ 19,020,077</u>	<u>\$ 194,436</u>	1%
Deferred outflows of resource	\$ 12,300	\$ -	\$ 12,300	100%
Total deferred outflows	<u>\$ 12,300</u>	<u>\$ -</u>	<u>\$ 12,300</u>	100%
Current and other liabilities	\$ 277,539	\$ 307,165	\$ (29,626)	-10%
Long-term liabilities	481,872	592,885	(111,013)	-19%
Total liabilities	<u>\$ 759,411</u>	<u>\$ 900,050</u>	<u>\$ (140,639)</u>	-16%
<b>Net Position:</b>				
Net investment in capital assets	\$ 14,846,620	\$ 14,573,497	\$ 273,123	2%
Restricted	201,385	63,239	138,146	0%
Unrestricted	3,419,397	3,483,291	(63,894)	-2%
Total net position	<u><u>\$ 18,467,402</u></u>	<u><u>\$ 18,120,027</u></u>	<u><u>\$ 347,375</u></u>	2%

By far the largest portion of the City's business-type net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) net of depreciation, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

Restricted assets in the amount of \$201,385 represent 1% of the total net position. The restrictions are due to debt service requirements and inventory which is considered a non-spendable asset. The remaining balance of *unrestricted net position*, \$3,419,397 (19 percent) may be used to meet the government's ongoing obligations to its citizens, vendors and creditors.

There was not much change in the overall assets and liabilities of the enterprise funds. Construction continues on the Water and Sewer utility shop building but there is not much activity beyond this. The City is carrying a deferred outflow of resources in the amount of \$12,300. This is due to a contingent liability that required an advance payment in order to appeal the judgement. See Note 20 for more information. The decrease in liabilities is due mainly to debt service payments. See Note 8 for more information on long-term debt activity.

**Changes in Net Position**

*Governmental Funds*

Governmental activities decreased the City's net position by \$22,740 in fiscal year 2014. The following table provides a summary comparison of the City's governmental change in net position for fiscal years 2014 and 2013.

	<b>Governmental activities</b>		<b>Change</b>	<b>%</b>
	<b>2014</b>	<b>2013</b>		
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 413,934	\$ 385,172	\$ 28,762	7%
Operating grants & contributions	119,949	117,703	2,246	2%
Capital grants & contributions	80,598	34,968	45,630	130%
General revenues				
Property taxes	1,692,324	1,626,790	65,534	4%
Impact fees	14,121	5,772	8,349	145%
Intergovernmental revenue	662,939	619,928	43,011	7%
Investment earnings	4,668	5,588	(920)	-16%
Gain (loss) on asset disposal	3,736	(736)	4,472	608%
Other revenues	62,218	60,133	2,085	3%
Total revenues	<u>\$ 3,054,487</u>	<u>\$ 2,855,318</u>	<u>\$ 199,169</u>	7%
<b>Program expenses</b>				
General government	\$ 741,989	\$ 769,869	\$ (27,880)	-4%
Public safety	1,596,549	1,542,244	54,305	4%
Public works	449,719	393,516	56,203	14%
Social and economic services	-	1,600	(1,600)	-100%
Culture & recreation	231,311	218,247	13,064	6%
Housing/community development	11,463	2	11,461	573050%
Conservation of natural resources	628	2,475	(1,847)	-75%
Interest on long-term debt	45,568	25,552	20,016	78%
Total expenses	<u>\$ 3,077,227</u>	<u>\$ 2,953,505</u>	<u>\$ 123,722</u>	4%
Changes in net position before restatements and transfers				
Restatements	\$ (22,740)	\$ (98,187)	\$ 75,447	77%
Restatements	-	21,141	(21,141)	-100%
<b>Change in net position</b>	<u>\$ (22,740)</u>	<u>\$ (77,046)</u>	<u>\$ 54,306</u>	-70%
<b>Total net position reported July 1, 2013</b>	<u>\$ 5,122,863</u>	<u>\$ 5,199,909</u>	<u>\$ (77,046)</u>	-1%
<b>Total net position June 30, 2014</b>	<u>\$ 5,100,123</u>	<u>\$ 5,122,863</u>	<u>\$ (22,740)</u>	0%

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

As the economy has started to recover building activity has increased with the City receiving over twice the amount of building permit fees than the prior year. Tax collections also increased. The decrease in operating grants is due mainly to the final closeout of the COPS grant while the increase in capital grants is due mainly to the receipt of a MACI grant from the Montana Department of Transportation for equipment purchases.

Impact fees more than doubled due to the increase in building activity. Investment earnings continue to remain flat due to lower interest rates available when money is being re-invested. The City's entitlement share from the State of Montana increased which contributed to the increase in intergovernmental revenues.

Program expenses increased overall. The main increases are in the cost of personnel including the increase in the cost of medical insurance for all functions. Expenses for social and economic services decreased as the program was discontinued. Public works expense increased due to increased expenses for street paving and winter chemical supplies. Interest on long-term debt increased due to the issuance of the TIFD urban renewal bond debt which began payments in fiscal year 2014. See Note 8 for information on long-term debt.

*Business-type Funds*

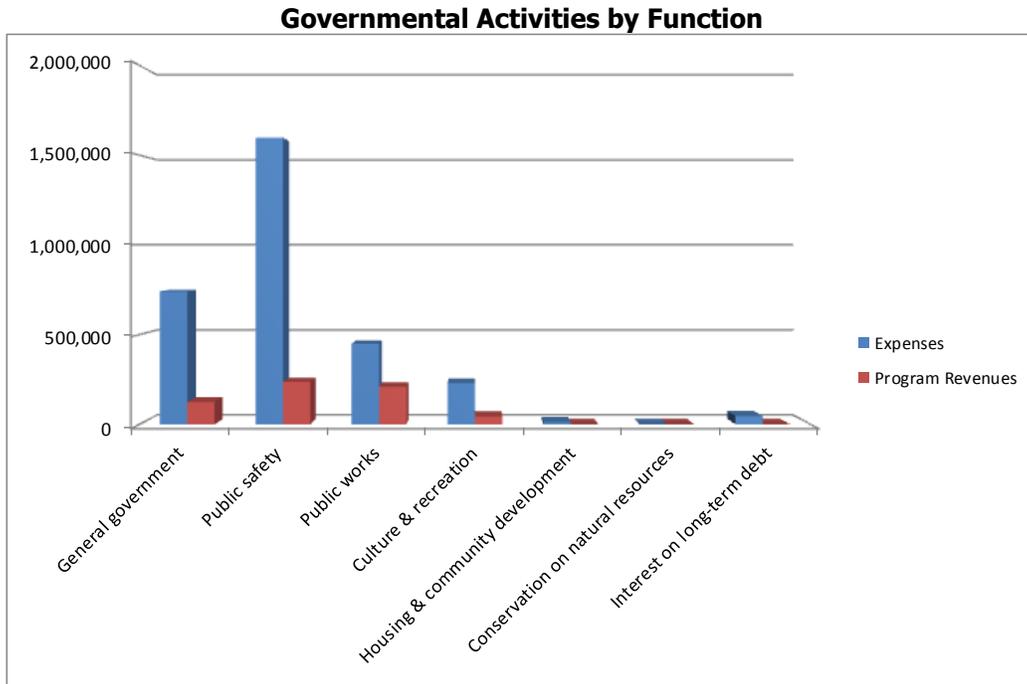
Business-type activities increased the City's net position by \$347,375 in fiscal year 2014. The following table provides a summary comparison of the City's business-type change in net position for fiscal years 2014 and 2013.

	<b>Business-type activities</b>		<b>Change</b>	<b>%</b>
	<b>2014</b>	<b>2013</b>		
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 2,651,681	\$ 2,626,006	\$ 25,675	1%
Capital grants & contributions	15,000	-	15,000	100%
General revenues				
Impact fees	25,215	5,695	19,520	343%
Investment earnings	14,148	24,816	(10,668)	-43%
Gain (loss) on asset disposal	2,500	15,800	(13,300)	-84%
Other revenues	8,027	4,624	3,403	74%
Total revenues	<u>\$ 2,716,571</u>	<u>\$ 2,676,941</u>	<u>\$ 39,630</u>	1%
<b>Program expenses</b>				
Golf	\$ 1,011,174	\$ 1,013,472	\$ (2,298)	0%
Water	795,291	831,893	(36,602)	-4%
Sewer	562,731	628,570	(65,839)	-10%
Total expenses	<u>\$ 2,369,196</u>	<u>\$ 2,473,935</u>	<u>\$ (104,739)</u>	-4%
Changes in net position before restatements and transfers	\$ 347,375	\$ 203,006	\$ 144,369	71%
Restatements	-	6,157	(6,157)	-100%
<b>Change in net position</b>	<u>\$ 347,375</u>	<u>\$ 209,163</u>	<u>\$ 138,212</u>	66%
<b>Total net position reported July 1, 2013</b>	<u>\$ 18,120,027</u>	<u>\$ 17,910,864</u>	<u>\$ 209,163</u>	1%
<b>Total net position June 30, 2014</b>	<u>\$ 18,467,402</u>	<u>\$ 18,120,027</u>	<u>\$ 347,375</u>	2%

City of Polson  
 Management's Discussion and Analysis  
 June 30, 2014

Golf course revenues were down due to a slow start to the golf season in 2014. Water revenue increased due to more connections and summer watering. Investment earnings decreased due to the maturity of higher interest investments and having to re-invest at lower rates. The interest allocation method was also changed with decreased earnings in the enterprise funds. The program expenses decreased for all three enterprise funds which contributed to the increase in net position.

The following graph shows total expenses and program revenue by function. Total general revenues (primarily property taxes) required for each function is generally the difference between total expenses and program revenues for each function:



**Capital Assets and Debt Administration**

Capital Assets

The City's capital assets consist of land, construction in progress, buildings, improvements, infrastructure, equipment and machinery. Infrastructure assets placed in service in 2005 and after are reported in capital assets. The City's investment in capital assets (net of accumulated depreciation and outstanding debt) was \$18,017,460 at June 30, 2014. Capital asset activity is presented in Note 7 of the financial statements.

Significant activity in capital assets for fiscal year 2014 includes:

- The City completed the construction of a new City dock at Salish Point for a cost of \$321,705. Construction is nearing completion on the walkpath under the bridge which connects Sacajawea and Riverside Parks. A total of \$484,983 has been spent thus far. This combined project is being constructed with \$800,000 of Tax Increment Financing (TIF) urban renewal bonds purchased by five local banks and a contribution from the Polson Redevelopment Agency tax increment financing district.
- The fire department replaced the remaining 20 SCBA oxygen tank packs at cost of \$13,580. This was funded by general fund revenues. One new police vehicle was purchased at a cost of \$34,291. This was paid from tax revenues collected for the Municipal Services Levy.
- A Toro weed sprayer was purchased with the cost shared by five departments – streets, parks, fire, water and sewer. The total cost was \$15,000 and paid with general revenues and water and sewer fees.

City of Polson  
 Management's Discussion and Analysis  
 June 30, 2014

- The Golf shop building was re-roofed at a cost of \$9,175. Equipment upgrades were made totaling \$51,777. The Golf course also purchased a driving range ball dispenser machine at a cost of \$10,583. The machine will accept credit card payments and should significantly increase the driving range revenue.
- Engineering work continues on the "Downtown Looping Project" which is an upgrade to water mains in the downtown area north of highway 93 and is scheduled for completion in FY15. The total cost to date is \$127,134 paid from the Water fund. The Water and Sewer utility shop is nearing completion. The total cost to date is \$307,907 (\$117,412 in FY14) paid from the Water and Sewer funds.
- The Sewer department incurred engineering costs in the amount of \$155,885 for planning services for the wastewater mechanical treatment plant. This is a task order contract for the various stages of planning, design and construction which will occur over the next three fiscal years. These costs were in part paid by a \$15,000 TSEP/RRGL planning grant from the State of Montana.

See Note 7 for further capital asset information and details of the City's capital activity for 2014.

Debt Administration

The City's long-term debt totaled \$1,923,628 at June 30, 2014 and short-term debt totaled \$8,062. Total debt, exclusive of compensated absences, increased \$587,296, which is comprised of the issuance of \$800,000 of Tax Increment Financing urban renewal bonds and principal payments on all debt of (\$212,704). The liability for compensated absences increased \$13,000. Additional information regarding long-term debt can be found in Note 8 to the financial statements.

The following table shows outstanding debt by type:

**Total Outstanding Debt**

Special assessment bonds	\$	585,481
Tax increment urban renewal bonds		772,038
Revenue bonds		566,109
Other notes and contracts payable		8,062
Compensated absences liability		318,226
	\$	2,249,916

**Fund Level Financial Analysis—Governmental Funds**

For the fiscal year ended June 30, 2014, the City's governmental funds reported combined fund balance totaling \$1,379,609 compared with \$1,278,186 in 2013. Approximately, \$455,191 of this amount constitutes unrestricted (categorized as committed, assigned and unassigned) fund balance, which is available to spend for current needs. The remaining balance is restricted for specific purposes. The governmental funds had a combined increase in fund balance totaling \$101,423.

The general fund is the chief operating fund of the City. For fiscal year 2014, total fund balance decreased \$89,247 to \$407,590 all of which was unassigned. As a measure of the general fund's total liquidity, it may be useful to compare total unassigned fund balance to total general fund expenditures. Total unassigned general fund, fund balance represents 17.41% of total expenditures compared to 21.97% in 2013. The decline in the percentage is a continual problem for the general fund and will need to be addressed either through increased revenues or major reductions in general fund expenditures.

Fund 2310 – Tax Increment Financing District (TIFD) is a special revenue fund which receives tax increment revenue from the TFID district. Tax increments are taxes generated from the difference between the base year value of property in the district compared to the current year value of the property. The increase in growth is applied against the mill value

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

and the amount is set aside in a special fund for capital improvement projects in the district. Most personal property in the TIFD has declined below the base year value due to changes in State Law regarding personal property. This creates a negative increment that goes back to the district's other taxing jurisdictions including the County, State of Montana, the school districts and special districts. The TIFD has restricted fund balance amounts of \$177,482 to be used for future capital improvement projects and \$66,606 in debt service restrictions for use in re-payment of the \$800,000 tax increment urban renewal bonds issued in FY2014.

Fund 3542 – SID #42 Streetscape Debt Service Fund is used to collect special assessments from the special improvement district to make payments on the bonds that were used in construction of the Main Street Streetscape project. Total fund balance at June 30, 2014 was \$48,497 compared with \$47,330 in 2013. All of the fund balance is considered restricted for debt service. The fund balance represents 73.29% of expenditures for 2014 compared to 70.46% in 2013.

Fund 4530 – TIFD City dock and walkpath project is a capital improvement fund created to receive proceeds of the TIF urban renewal bonds in the amount of \$800,000 and a contribution from the TIFD fund of \$51,500 and to spend those funds on the construction of a new City dock at Salish Point and to create a walkpath under the bridge which connects Sacajawea Park and Riverside Park as part of the trails plan for the City. Total fund balance at June 30, 2014 is \$72,316. This fund balance is restricted for the remaining construction that will take place in FY15. Any remaining fund balance after construction is complete will be transferred to fund 2310 to assist in debt service payments.

### **City of Polson General Fund Budget Highlights**

The City's budget is prepared on the basis of cash receipts, disbursements and certain receivables. During the year, the City Commission can amend the budget in accordance with state law. The original approved general fund expenditure budget including transfers out was \$2,383,241 and there were no amendments to the general fund budget. Actual expenditures were \$2,379,444 including transfers out. Significant budget variances in the General fund include:

- A negative variance of \$33,615 in the legal services department was due in part to severance payments made to the former City Attorney and interim City Attorney costs.
- A positive variance of \$11,599 in the planning department budget due mainly to reduced personnel costs.
- A positive variance of \$15,401 in the fire protection services budget for supplies, materials and capital outlay that were not purchased.

### **Economic Factors and Fiscal Year 2015 Budget**

The City is a Third Class city with a current estimated population of 4,604. The City is the county seat for Lake County. In the 1980s and 1990s, the Polson area transitioned from an economy based on agriculture and wood products to an economy based on retail and service, government, healthcare, and manufacturing. In the last decade the City saw growth in tourism and residential real estate development fueled by the construction of retirement or second homes. Following the great recession, the City is starting to see improvement in the retail construction industry with the hope that residential construction will also increase. As of 2009 statistics, trade center/service type activities constituted 52% of the labor force in the City and surrounding areas with the health care services industry comprising 14% of that total. The manufacturing industry comprises 14% of the City's labor force. Government labor forces comprised 34% of total employment in the City (which includes the County government). The Montana Department of Labor and Industry predicts that some of the fastest growing sectors in the state over the next 5-10 years will be Arts, Entertainment and Recreation. The City's proximity to recreational opportunities and natural amenity will continue to attract tourists and retirees making recreation, retail, real estate, construction, retirement-related industries and health-care an even larger share of the economy.

The United States Census Bureau estimates that as of 2010 there was an 11% increase in population in Polson over the 2000 census statistics. The total population estimate was 4,488 citizens. The state Department of Labor and Industry

City of Polson  
Management's Discussion and Analysis  
June 30, 2014

expects the population of Polson to increase to 5,755 by the year 2025. This is an average annual growth rate of 1.42%. The area outside of Polson, on Flathead Lake more than doubles the area population during the summer months.

The City Commission's budget priorities include the continued maintenance of strong cash reserves through better budgeting and increased sources of revenue.

Other fiscal year 2015 budget items worth noting:

- The budget provides a 25 cent COLA (cost of living adjustment) for all permanent, full-time city employees.
- The budget provides for an increase in the Permissive Medical Mill Levy of 2 mills which will raise an additional \$93,053 for health-care cost assistance for the governmental funds. Total healthcare premium cost is estimated at \$279,066 for the year.
- The citizens voted to study the form of the City's government in June, 2014 and the expenditure budget has been set at \$14,500 for that study.
- The City has applied for CDBG (Community Development Block Grant) grant funds up to \$20,000 to update the Growth Policy.
- The budget contains an appropriation of \$7,840 for the City to purchase two de-icer units through the MACI grant program managed by the State of Montana. The grant will provide \$48,160 of the cost.
- The budget includes expenditures for additional lighting and installation of interpretive signs along Sacajawea Park and the walkpath. This will be paid for by donations and construction funds.
- The budget includes an expenditure of \$180,000 for a new cart storage shed at the Golf Course.
- Budget expenditures have been included for the Water department for upgrades to the water system in the downtown area labeled as "the downtown looping project" and for construction of a well on the east side of the City. Anticipated grant revenues for this project have been budgeted along with the City's match. The Sewer department has budgeted for engineer costs related to the upcoming construction of a headworks facility and a mechanical wastewater treatment plant in fiscal years 2015-2018.
- All of the voted and non-voted levies are approved at their maximum levels in the budget due to need.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances for its citizens, taxpayers, creditors, and investors and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cindy M. Dooley, Finance Officer, 106 1<sup>st</sup> Street E, Polson, Montana 59860.

# BASIC FINANCIAL STATEMENTS

City of Polson  
Lake County, Montana

Government-Wide Statement of Net Position  
As of June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,230,092	\$ 589,294	\$ 1,819,386
Petty cash	300	947	1,247
Taxes/assessments receivable-current	151,683	-	151,683
Accounts receivable	4,848	173,252	178,100
Due from other governments	157,117	15,000	172,117
Inventories	-	138,267	138,267
Assessments receivable-noncurrent	592,031	-	592,031
Restricted assets:			
Cash, cash equivalents and investments	141,152	2,851,676	2,992,828
Capital assets not being depreciated:			
Land	86,915	2,238,751	2,325,666
Construction in progress	498,754	657,465	1,156,219
Capital assets being depreciated (net of accumulated depreciation)	3,975,021	12,549,861	16,524,882
Total assets	\$ 6,837,913	\$ 19,214,513	\$ 26,052,426
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	\$ -	\$ 12,300	\$ 12,300
Total deferred outflows of resources	\$ -	\$ 12,300	\$ 12,300
<b>LIABILITIES</b>			
Accounts payable	\$ 79,991	\$ 57,908	\$ 137,899
Accrued interest payable	9,268	2,573	11,841
Deposits/retainage payable	15,400	32,905	48,305
Due to other governments	49,240	-	49,240
Contracts/loans/notes payable	8,062	-	8,062
Current portions of long term debt	256,968	184,153	441,121
Noncurrent liabilities:			
Long term portions of long term debt	1,318,861	481,872	1,800,733
Total liabilities	\$ 1,737,790	\$ 759,411	\$ 2,497,201
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,170,840	\$ 14,846,620	\$ 18,017,460
Restricted for:			
Debt service	705,241	44,139	749,380
Bond indenture requirement	77,500	18,979	96,479
General government	10,787	-	10,787
Public safety	138,397	-	138,397
Public works	151,339	-	151,339
Culture/recreation	214,083	-	214,083
Housing and community development	271,762	-	271,762
Conservation of natural resources	3,550	-	3,550
Non-spendable (other than permanent fund)	-	138,267	138,267
Unrestricted	356,624	3,419,397	3,776,021
Total net position	\$ 5,100,123	\$ 18,467,402	\$ 23,567,525

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

City of Polson  
Lake County, Montana

Government-Wide Statement of Activities  
For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities		
<b>Governmental activities:</b>							
General government	\$ 741,989	\$ 118,685	\$ 5,874	\$ -	\$ (617,430)	-	\$ (617,430)
Public safety	1,596,549	152,297	82,486	2,275	(1,359,491)	-	(1,359,491)
Public works	449,719	137,298	1,146	70,708	(240,567)	-	(240,567)
Culture & recreation	231,311	5,654	30,443	7,615	(187,599)	-	(187,599)
Housing & community development	11,463	-	-	-	(11,463)	-	(11,463)
Conservation on natural resources	628	-	-	-	(628)	-	(628)
Interest on long-term debt	45,568	-	-	-	(45,568)	-	(45,568)
<b>Total governmental activities</b>	<b>\$ 3,077,227</b>	<b>\$ 413,934</b>	<b>\$ 119,949</b>	<b>\$ 80,598</b>	<b>\$ (2,462,746)</b>	<b>\$ -</b>	<b>\$ (2,462,746)</b>
<b>Business-type activities:</b>							
Golf	\$ 1,011,174	\$ 1,024,988	\$ -	\$ -	\$ -	\$ 13,814	\$ 13,814
Water	795,291	942,981	-	-	-	147,690	147,690
Sewer (& Stormwater)	562,731	683,712	-	15,000	-	135,981	135,981
<b>Total business-type activities</b>	<b>\$ 2,369,196</b>	<b>\$ 2,651,681</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ 297,485</b>	<b>\$ 297,485</b>
	<b>\$ 5,446,423</b>	<b>\$ 3,065,615</b>	<b>\$ 119,949</b>	<b>\$ 95,598</b>	<b>\$ (2,462,746)</b>	<b>\$ 297,485</b>	<b>\$ (2,165,261)</b>
<b>General revenues</b>							
Property taxes					\$ 1,591,610	-	\$ 1,591,610
Local option tax					100,714	-	100,714
Impact fees					14,121	25,215	39,336
Unrestricted federal/state shared revenues					662,939	-	662,939
Unrestricted grants and contributions					-	600	600
Unrestricted investment earnings					4,668	14,149	18,817
Miscellaneous					62,218	7,426	69,644
Gain/(loss) on sale of capital assets					3,736	2,500	6,236
<b>Total general revenues and transfers</b>					<b>\$ 2,440,006</b>	<b>\$ 49,890</b>	<b>\$ 2,489,896</b>
Change in net position					(22,740)	347,375	324,635
Total net position reported July 1, 2013					\$ 5,122,863	\$ 18,120,027	\$ 23,242,890
<b>Total net position-June 30, 2014</b>					<b>\$ 5,100,123</b>	<b>\$ 18,467,402</b>	<b>\$ 23,567,525</b>

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

City of Polson  
Lake County, Montana

Balance Sheet-Governmental Funds  
As of June 30, 2014

	Major Fund				Other Governmental Funds	Total Governmental Funds
	General Fund	Tax Increment Financing District	SID #42 Streetscape	TIFD City Dock & Walkpath Project		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 313,665	\$ 212,097	\$ -	\$ 82,316	\$ 616,413	\$ 1,224,491
Petty cash	300	-	-	-	-	300
Restricted: cash and cash equivalents	-	66,606	43,101	-	37,046	146,753
Taxes/assessments receivable	107,976	11,964	599,852	-	23,922	743,714
Accounts/other receivables	625	-	-	-	4,222	4,847
Due from other funds	55,778	-	-	-	-	55,778
Due from other governments	107,556	23,190	6,289	-	20,082	157,117
<b>Total assets</b>	<b>\$ 585,900</b>	<b>\$ 313,857</b>	<b>\$ 649,242</b>	<b>\$ 82,316</b>	<b>\$ 701,685</b>	<b>\$ 2,333,000</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 5,894	\$ 220	\$ -	\$ -	\$ 3,376	\$ 9,490
Other accrued payables	64,040	8,345	893	-	6,491	79,769
Due to other funds	-	-	-	-	55,778	55,778
Due to other governments	-	49,240	-	-	-	49,240
Deposits payable	400	-	-	10,000	5,000	15,400
<b>Total liabilities</b>	<b>\$ 70,334</b>	<b>\$ 57,805</b>	<b>\$ 893</b>	<b>\$ 10,000</b>	<b>\$ 70,645</b>	<b>\$ 209,677</b>
Deferred inflows	\$ 107,976	\$ 11,964	\$ 599,852	\$ -	\$ 23,922	\$ 743,714
Fund balances:						
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
General government	-	177,482	-	72,316	500,969	750,767
Debt service	-	66,606	48,497	-	58,548	173,651
Committed:	-	-	-	-	7,082	7,082
Assigned:	-	-	-	-	96,128	96,128
Unassigned:						
General fund	407,590	-	-	-	-	407,590
Fund deficits	-	-	-	-	(55,609)	(55,609)
<b>Total fund balance</b>	<b>\$ 407,590</b>	<b>\$ 244,088</b>	<b>\$ 48,497</b>	<b>\$ 72,316</b>	<b>\$ 607,118</b>	<b>\$ 1,379,609</b>
<b>Total liabilities and fund balances</b>	<b>\$ 585,900</b>	<b>\$ 313,857</b>	<b>\$ 649,242</b>	<b>\$ 82,316</b>	<b>\$ 701,685</b>	

Reconciliation: Governmental Funds Balance Sheet to the Statement of Net Position, As of June 30, 2014

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	\$ 4,560,690
Taxes and assessment receivables are not recorded as revenue until they are received and, therefore, are deferred in the governmental funds.	743,714
The liability for compensated absences is not due and payable in the current periods and, therefore, is not reported in the governmental funds balance sheet.	(218,309)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(1,365,581)
Net position of governmental activities	<u>\$ 5,100,123</u>

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

City of Polson  
Lake County, Montana

Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	Major Fund				Other Governmental Funds	Total Governmental Funds
	General Fund	Tax Increment Financing District	SID #42 Streetscape	TIFD City Dock & Walkpath Project		
<b>REVENUES</b>						
Taxes and assessments	\$ 1,262,996	\$ 130,778	\$ 67,135	\$ -	\$ 283,676	\$ 1,744,585
Licenses and permits	17,206	-	-	-	72,853	90,059
Intergovernmental revenues	692,268	13,081	-	-	188,370	893,719
Charges for services	139,527	-	-	-	16,220	155,747
Fines and forfeiture	40,585	-	-	-	4,611	45,196
Miscellaneous	63,191	-	-	-	48,566	111,757
Investment and royalty earnings	856	702	203	799	2,107	4,667
Total revenues	<u>\$ 2,216,629</u>	<u>\$ 144,561</u>	<u>\$ 67,338</u>	<u>\$ 799</u>	<u>\$ 616,403</u>	<u>\$ 3,045,730</u>
<b>EXPENDITURES</b>						
General government	\$ 701,220	\$ -	\$ -	\$ -	\$ -	\$ 701,220
Public safety	1,252,318	-	-	-	234,086	1,486,404
Public works	209,865	-	-	-	116,296	326,161
Culture and recreation	158,637	-	-	-	18,471	177,108
Housing and community development	-	740	-	-	-	740
Conservation of natural resources	-	-	-	-	628	628
Debt service:						
Principal	-	27,961	41,036	-	15,885	84,882
Interest	-	20,293	25,135	-	140	45,568
Capital outlay	63,626	-	-	777,049	90,144	930,819
Miscellaneous	-	-	-	-	4,105	4,105
Total expenditures	<u>\$ 2,385,666</u>	<u>\$ 48,994</u>	<u>\$ 66,171</u>	<u>\$ 777,049</u>	<u>\$ 479,755</u>	<u>\$ 3,757,635</u>
Excess of revenues over (under) expenditures	\$ (169,037)	\$ 95,567	\$ 1,167	\$ (776,250)	\$ 136,648	\$ (711,905)
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond issued	\$ -	\$ -	\$ -	\$ 800,000	\$ -	\$ 800,000
Proceeds from sale of capital assets	13,328	-	-	-	-	13,328
Transfers in (out)	66,462	(48,450)	-	48,450	(66,462)	-
Total other financing sources (uses)	<u>\$ 79,790</u>	<u>\$ (48,450)</u>	<u>\$ -</u>	<u>\$ 848,450</u>	<u>\$ (66,462)</u>	<u>\$ 813,328</u>
Net change in fund balances	\$ (89,247)	\$ 47,117	\$ 1,167	\$ 72,200	\$ 70,186	\$ 101,423
Fund balances-July 1, 2013	\$ 496,837	\$ 196,971	\$ 47,330	\$ 116	\$ 536,932	\$ 1,278,186
Fund balances-June 30, 2014	<u>\$ 407,590</u>	<u>\$ 244,088</u>	<u>\$ 48,497</u>	<u>\$ 72,316</u>	<u>\$ 607,118</u>	<u>\$ 1,379,609</u>

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

City of Polson  
Lake County, Montana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Governmental Funds to the Government-Wide Statement of Activities  
For the Fiscal Year Ended June 30, 2014

Net change in fund balance - total governmental funds (page 17)	\$ 101,423
Amounts reported for governmental activities in the statement of activities (page 15) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	153,770
Construction of capitalized infrastructure	777,050
Depreciation expense	(329,201)
In the statement of activities, the loss or gain on the sale or disposal of capital assets is recognized. The governmental funds recognize only the proceeds from the sale of these assets:	
Proceeds from the sale of capital assets	(13,328)
Gain on the disposal of capital assets	3,736
Property taxes and SID revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Real estate taxes	43,393
Maintenance and special improvement district assessments	(38,374)
The increase in expenses due to the increase in the liability for compensated absences reported in the statement of activities does not use current financial resources and, therefore, is not reported in the the governmental funds.	(6,092)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of debt	(800,000)
Principal payments on long-term debt	<u>84,883</u>
Change in net position in governmental activities (page 15)	\$ <u><u>(22,740)</u></u>

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

City of Polson  
Lake County, Montana

Statement of Fund Net Position-Proprietary Funds  
As of June 30, 2014

	Business-type Activities				
	Major Enterprise Funds				Totals
	Golf Fund	Water Fund	Sewer Fund	Non-major Fund	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 168,338	\$ 992,122	\$ 1,745,900	\$ 139,952	\$ 3,046,312
Petty cash	747	200	-	-	947
Accounts receivable	3,600	87,651	69,212	12,789	173,252
Due from other governments	-	-	15,000	-	15,000
Inventories	37,939	100,328	-	-	138,267
Total current assets	<u>\$ 210,624</u>	<u>\$ 1,180,301</u>	<u>\$ 1,830,112</u>	<u>\$ 152,741</u>	<u>\$ 3,373,778</u>
Noncurrent assets					
Restricted assets:					
Cash, cash equivalents and investments	\$ 26,197	\$ 304,622	\$ 63,839	\$ -	\$ 394,658
Capital assets:					
Land	2,042,231	177,064	19,456	-	2,238,751
Construction in progress	10,775	321,278	324,543	869	657,465
Buildings	550,275	-	-	-	550,275
Improvements other than buildings	437,697	-	-	-	437,697
Machinery and equipment	1,145,843	-	-	-	1,145,843
Utility plant	-	13,625,714	7,141,241	359,051	21,126,006
Less: accumulated depreciation	(1,328,657)	(4,584,204)	(4,768,375)	(28,724)	(10,709,960)
Total noncurrent assets	<u>\$ 2,884,361</u>	<u>\$ 9,844,474</u>	<u>\$ 2,780,704</u>	<u>\$ 331,196</u>	<u>\$ 15,840,735</u>
Total assets	<u>\$ 3,094,985</u>	<u>\$ 11,024,775</u>	<u>\$ 4,610,816</u>	<u>\$ 483,937</u>	<u>\$ 19,214,513</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources	\$ 12,300	\$ -	\$ -	\$ -	\$ 12,300
Total deferred outflows of resources	<u>\$ 12,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,300</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 16,108	\$ 584	\$ 402	\$ -	\$ 17,094
Accrued interest payable	1,587	986	-	-	2,573
Accrued payroll payable	25,044	8,235	7,534	-	40,813
Current portion of compensated absences	31,008	19,659	18,551	-	69,218
Current portion of bonds payable	98,936	16,000	-	-	114,936
Deposits payable	-	32,905	-	-	32,905
Total current liabilities	<u>\$ 172,683</u>	<u>\$ 78,369</u>	<u>\$ 26,487</u>	<u>\$ -</u>	<u>\$ 277,539</u>
Noncurrent liabilities					
Compensated absences	\$ 13,217	\$ 9,622	\$ 7,860	\$ -	\$ 30,699
Bonds payable	204,173	247,000	-	-	451,173
Total noncurrent liabilities	<u>\$ 217,390</u>	<u>\$ 256,622</u>	<u>\$ 7,860</u>	<u>\$ -</u>	<u>\$ 481,872</u>
Total liabilities	<u>\$ 390,073</u>	<u>\$ 334,991</u>	<u>\$ 34,347</u>	<u>\$ -</u>	<u>\$ 759,411</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 2,542,694	\$ 9,255,865	\$ 2,716,865	\$ 331,196	\$ 14,846,620
Restricted for: debt service	26,197	37,071	-	-	63,268
Unrestricted	148,321	1,396,848	1,859,604	152,741	3,557,514
Total net position	<u>\$ 2,717,212</u>	<u>\$ 10,689,784</u>	<u>\$ 4,576,469</u>	<u>\$ 483,937</u>	<u>\$ 18,467,402</u>

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

City of Polson  
Lake County, Montana

Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds  
For the Fiscal Year Ended June 30, 2014

	Business-type Activities				
	Major Enterprise Funds				Totals
	Golf Fund	Water Fund	Sewer Fund	Non-major Fund	
OPERATING REVENUES					
Charges for services	\$ 1,026,051	\$ 943,254	\$ 552,712	\$ 116,587	\$ 2,638,604
Miscellaneous sales	644	23	650	-	1,317
Total operating revenues	<u>\$ 1,026,695</u>	<u>\$ 943,277</u>	<u>\$ 553,362</u>	<u>\$ 116,587</u>	<u>\$ 2,639,921</u>
OPERATING EXPENSES					
Personal services	\$ 442,492	\$ 244,429	\$ 196,257	\$ -	\$ 883,178
Supplies	216,734	80,861	37,205	349	335,149
Purchased services	205,252	114,594	136,710	9,001	465,557
Building materials	8,627	-	-	-	8,627
Fixed charges	34,953	48,592	42,500	-	126,045
Depreciation	93,429	300,216	130,228	7,181	531,054
Total operating expenses	<u>\$ 1,001,487</u>	<u>\$ 788,692</u>	<u>\$ 542,900</u>	<u>\$ 16,531</u>	<u>\$ 2,349,610</u>
OPERATING INCOME/(LOSS)	\$ 25,208	\$ 154,585	\$ 10,462	\$ 100,056	\$ 290,311
NONOPERATING REVENUES/(EXPENSES)					
Intergovernmental revenue	\$ -	\$ -	\$ 15,000	\$ -	\$ 15,000
Impact fees	-	16,863	8,352	-	25,215
Contributions and donations	-	600	-	-	600
Building/land rental	3,600	-	13,763	-	17,363
Investment earnings	1,122	5,073	7,723	231	14,149
Gain/(loss) on sale of capital assets	(2,940)	-	2,500	-	(440)
Debt service interest expense	(7,810)	(2,003)	-	-	(9,813)
Other nonoperating revenue (expense)	3,038	(4,870)	(3,178)	-	(5,010)
Total nonoperating revenues/(expenses)	<u>\$ (2,990)</u>	<u>\$ 15,663</u>	<u>\$ 44,160</u>	<u>\$ 231</u>	<u>\$ 57,064</u>
INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	\$ 22,218	\$ 170,248	\$ 54,622	\$ 100,287	\$ 347,375
Capital contribution	-	-	-	-	-
Changes in net position	\$ 22,218	\$ 170,248	\$ 54,622	\$ 100,287	\$ 347,375
Total net position-July 1, 2013	\$ 2,694,994	\$ 10,519,536	\$ 4,521,847	\$ 383,650	\$ 18,120,027
Total net position-June 30, 2014	<u>\$ 2,717,212</u>	<u>\$ 10,689,784</u>	<u>\$ 4,576,469</u>	<u>\$ 483,937</u>	<u>\$ 18,467,402</u>

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

City of Polson  
Lake County, Montana

Statement of Cash Flows-Proprietary Funds  
For the Fiscal Year Ended June 30, 2014

	Business-type Activities				
	Major Enterprise Funds				Totals
	Golf Fund	Water Fund	Sewer Fund	Non-major Funds	
Cash flows from operating activities:					
Cash received from customers	\$ 1,026,695	\$ 937,710	\$ 550,740	\$ 114,694	\$ 2,629,839
Cash paid to suppliers	(408,407)	(206,141)	(177,841)	(10,167)	(802,556)
Cash paid for employees	(435,950)	(249,775)	(196,411)	-	(882,136)
Cash paid for interfund services used	(30,000)	(43,900)	(42,500)	-	(116,400)
Net cash provided/(used) by operating activities	<u>\$ 152,338</u>	<u>\$ 437,894</u>	<u>\$ 133,988</u>	<u>\$ 104,527</u>	<u>\$ 828,747</u>
Cash flows from noncapital and related activities					
Contract incentives	\$ 2,916	-	-	-	\$ 2,916
Justice Court-contingent judgement deposit	(12,300)	-	-	-	(12,300)
EPA fine-second and final installment	-	-	(20,200)	-	(20,200)
Contributions	-	600	-	-	600
Net cash provided/(used) by noncapital and related activities	<u>\$ (9,384)</u>	<u>\$ 600</u>	<u>\$ (20,200)</u>	<u>\$ -</u>	<u>\$ (28,984)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets & purchase of equipment	\$ (86,792)	\$ (317,845)	\$ (308,203)	\$ (869)	\$ (713,709)
Sale of capital assets	-	-	2,500	-	2,500
Impact fees	-	16,863	8,352	-	25,215
Principal payments on debt	(111,821)	(16,000)	-	-	(127,821)
Interest payments on debt	(8,389)	(2,062)	-	-	(10,451)
Impact fee/latecomes payback agreement	-	(4,870)	(3,300)	-	(8,170)
Rental income	-	-	33,109	-	33,109
Net cash provided/(used) by capital financing activities	<u>\$ (207,002)</u>	<u>\$ (323,914)</u>	<u>\$ (267,542)</u>	<u>\$ (869)</u>	<u>\$ (799,327)</u>
Cash flows from investing activities:					
Equity dividends-CHS	\$ 122	-	122	-	\$ 244
Interest on investments	1,122	5,074	7,723	230	14,149
Net cash provided/(used) by investing activities	<u>\$ 1,244</u>	<u>\$ 5,074</u>	<u>\$ 7,845</u>	<u>\$ 230</u>	<u>\$ 14,393</u>
Net increase/(decrease) in cash, cash equivalents and investments	\$ (62,804)	\$ 119,654	\$ (145,909)	\$ 103,888	\$ 14,829
Cash, cash equivalents and investments reported July 1, 2013	\$ 258,086	\$ 1,177,291	\$ 1,955,647	\$ 36,065	\$ 3,427,089
Cash, cash equivalents and investments June 30, 2014	<u>\$ 195,282</u>	<u>\$ 1,296,945</u>	<u>\$ 1,809,738</u>	<u>\$ 139,953</u>	<u>\$ 3,441,918</u>
RECONCILIATION TO CASH IN STATEMENT OF NET ASSETS:					
Cash and cash equivalents	\$ 168,337	\$ 992,123	\$ 1,745,900	\$ 139,953	\$ 3,046,313
Petty cash	747	200	-	-	947
Restricted assets:					
Cash and cash equivalents	26,197	304,622	63,839	-	394,658
Total cash and cash equivalents and investments	<u>\$ 195,281</u>	<u>\$ 1,296,945</u>	<u>\$ 1,809,739</u>	<u>\$ 139,953</u>	<u>\$ 3,441,918</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:					
Net operating income/(loss)	\$ 25,208	\$ 154,585	\$ 10,462	\$ 100,056	\$ 290,311
Adjustments to reconcile operating income to net cash					
Provided/(used) by operating activities:					
Depreciation expense	93,429	300,216	130,228	7,181	531,054
(Increase)/decrease in receivables	-	(4,643)	(2,610)	(1,893)	(9,146)
(Increase)/decrease in inventories	11,561	(3,055)	-	-	8,506
Increase/(decrease) in accounts payables	15,598	(2,939)	(3,926)	(817)	7,916
Increase/(decrease) in customer deposits	-	(751)	-	-	(751)
Increase/(decrease) in refunds payable	-	(173)	(12)	-	(185)
Increase/(decrease) in compensated absences	11,131	(3,797)	(426)	-	6,908
Increase/(decrease) in wages payable	(4,589)	(1,549)	272	-	(5,866)
Net cash provided/(used) by operating activities	<u>\$ 152,338</u>	<u>\$ 437,894</u>	<u>\$ 133,988</u>	<u>\$ 104,527</u>	<u>\$ 828,747</u>
Schedule of Non-Cash Items:					
Capital asset trade-ins	\$ 4,700	\$ -	\$ -	\$ -	\$ 4,700

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

City of Polson  
Lake County, Montana

Statement of Fiduciary Net Position  
As of June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 48,365
Total assets	\$ <u>48,365</u>
LIABILITIES	
Due to other governments	\$ 48,365
Total liabilities	\$ <u>48,365</u>
FIDUCIARY NET POSITION	\$ <u>-</u>

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

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The City of Polson, (City) was incorporated in 1910 in accordance with the provisions of the State of Montana. The City provides a wide range of municipal services that include public safety (police and fire), public works (streets, water and sewer), public health (animal control), community development, culture and recreation (golf and parks), and general government services (finance and administration). The City has a Commission-City Manager form of government consisting of six City Commissioners, a Mayor and City Manager. The City Commissioners are elected for a 4 year term from three different wards on a staggered two year cycle. The Mayor is elected for a 4 year term. The most recent population estimate is 4,604.

B. FINANCIAL REPORTING ENTITY

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as set forth in standards established by the Governmental Accounting Standards Board (GASB).

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Primary Government**

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

The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. These financial statements include all funds, agencies, boards, commissions and authorities which meet the criteria for inclusion in the City's financial report. These criteria include financial accountability, appointment of a majority of the secondary government and the financial benefit or burden derived by the primary government from a secondary government.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending of their financial statement information with the primary government's financial information. As of June 30, 2014, the City had no discretely presented component units.

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

The City's basic financial statements consists of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 1: SUMMARY OF SIGNIFANT ACCOUNTING POLICES, continued

C. BASIS OF FINANCIAL STATEMENT PRESENTATION, continued

**Government-wide Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) display information about the reporting government as a whole and its component units. They include all funds of the City except fiduciary funds and component units. For the most part, the effect of inter-fund activity has been removed from these statements to avoid overstating revenues and expenses. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department. The City does not charge indirect expenses to programs or functions; however, the general fund is reimbursed for administrative costs incurred for other functions including business activities. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Generally, restricted revenues are used first to pay expenses incurred when both restricted and unrestricted funds are available. Revenues that are not classified as program revenues, including all real and personal property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City can also choose to treat specific funds as major funds although they may not meet the above criteria, if the additional information would create better reporting transparency.

NOTE 1: SUMMARY OF SIGNIFANT ACCOUNTING POLICES, continued

C. BASIS OF FINANCIAL STATEMENT PRESENTATION, continued

**Fund Accounting**

The accounts of the City are organized on the basis of separate accounting entities referred to as funds. Each fund's operations are accounted for with a separate set of self-balancing accounts consisting of assets, liabilities, fund equity, revenues and expenditures/expenses. The minimum number of funds is maintained consistent with legal and managerial requirements. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

*General Fund*—The general fund is the City's primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds. Generally accepted accounting principles require that the general fund be reported as a major fund. The principal source of revenue for this fund is property taxes.

*Tax Increment Financing District (TIFD)*—As mentioned previously, this fund does not meet the criteria for reporting as a major fund but management has decided to include it for better reporting transparency. This is a special revenue fund established to account for tax increment revenue created by the difference between the base taxable value of property in the district and the current taxable value. The difference in taxable value is multiplied by the current mill levy and the taxes are then set aside in this fund to be spent on capital improvement projects for the TIFD. The Polson Redevelopment Agency which is currently an advisory board to the City Commission makes recommendations to the Commission regarding projects for the district. This fund is also servicing the debt on the 12 year Tax Increment Financing urban renewal bonds sold to construct the City dock and walkpath under the bridge.

*SID #42 Streetscape Main Street Improvement Project*—This is a debt service fund established to account for resources accumulated and payments made for principal and interest on the 15 year bonds sold to finance the construction of the Main Street Streetscape Project.

*TIFD City Dock and Walkpath Project*—This is a capital projects fund established to account for resources received and expenditures made for the construction of the City dock and walkpath under the bridge and associated lighting for Sacajawea Park. The construction was ongoing at June 30, 2014 with expected completion in the spring of 2015. Any remaining funds in the construction account will be transferred to the Tax Increment Financing District fund to help service the debt when the project is completed.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City reports the following major enterprise funds:

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFANT ACCOUNTING POLICES, continued

C. BASIS OF FINANCIAL STATEMENT PRESENTATION, continued

*Golf Fund*—The golf fund accounts for the activities of the City’s 27-hole municipal golf course.

*Water Fund*—The water fund accounts for the activities of the City’s water distribution operations.

*Sewer Fund*—The sewer fund accounts for the activities of the City’s sewer and treatment operations.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Government-wide Financial Statements**

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Financial Statements**

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defines the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital assets acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFANT ACCOUNTING POLICES, continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, continued

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues which do not meet these criteria are considered non-operating and reported as such.

**The Budget Process**

The City follows rules provided in Montana state law to prepare and adopt its budget each year. The budget information for the governmental funds is prepared primarily on the cash basis of accounting. Revenues (except for property taxes) are budgeted in the year they are anticipated to be collected. Expenditures are budgeted in the year they are expected to be paid by warrant. The City includes in its budget the full amount of property taxes levied for the year. This approximates the cash basis because delinquencies of current year taxes are generally offset by collection of prior year's delinquencies. In addition, a budget is adopted for the enterprise funds on a full accrual basis.

Budget transfer may be made between and among the general classifications of salaries, operations, and capital outlay upon a resolution adopted by the governing body within each individually budgeted fund and across departments of the general fund. Expenditures may not legally exceed appropriations for an individual fund. The City's budget may be amended during the course of the year, following public notice, a public hearing, and a majority vote of the City Commission. The amounts reported as the original budget amounts represent the original adopted budget. The amounts reported as final budget amounts represent the final budget, including all amendments and transfers.

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash, Cash Equivalents, Investments and Investment Income

The City's cash is invested as permitted by law. State law restricts investments to certificates of deposit, bank repurchase agreements, direct obligations of the U.S. Government and investments in Montana's state short-term investment pool (STIP). The cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City Finance Officer. The City's investments include non-negotiable certificate of deposit, a repurchase agreement and U.S. governmental securities. Investments in the City's cash pool are considered cash equivalents in the governmental fund financial statements.

Investments are reported at cost; however the difference between cost and fair value is immaterial.

Investment income which includes the realized gains and losses on investments is recognized on the modified accrual basis. Investment income on pooled investments is allocated on the basis of prior month ending balances in relation to total pooled investments.

For the purpose of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) held in the City's cash management pool to be cash equivalents.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY, continued

2. Property Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable. The direct write-off method is used for these accounts.

Property tax levies are set by the later of the first Thursday after the first Tuesday in September or within 30 calendar days after receiving certified taxable values of the State providing shared revenue figures, usually in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal amounts on November 30<sup>th</sup> and the following May 31<sup>st</sup>. After those dates, they become delinquent (and a lien on the property). After three years the City may exercise the lien and take title to the property.

Special assessments are billed in two installments due November 30<sup>th</sup> and the following May 31<sup>st</sup>. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally May and June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due November 30<sup>th</sup>. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxable valuations, mill values and mill levies for November 2013 and May 2014 property tax billings were as follows:

	<u>Taxable Valuation</u>		<u>Valuation of Tax Increment</u>		<u>Value of Mills</u>	<u>Mills Levied</u>
General Fund Levy	\$ 9,411,087	\$	258,939	\$	9,411	124.74
Permissive Medical Levy	\$ 9,411,087	\$	258,939	\$	9,411	7.50
Police Special Levy	\$ 9,411,087	\$	258,939	\$	9,411	19.95

The taxable valuation excludes the incremental value of property within the City's tax increment district. The incremental value of the tax increment district is \$258,939. Taxes on that value accrue to the tax increment district, not to the usual taxing authorities except the University millage (state-wide 6 mill voted levy); hence the value of a mill which it is budgeted against is reduced by that incremental value.

State law limits the number of mills the City can levy to the amount of property tax dollars levied in the prior fiscal year plus the amounts related to the taxable value for annexation of real property, new construction and improvements, debt service, one-half of the average rate of inflation for the past three years based on the Consumer Price Index (CPI), and certain other exceptions.

3. City Court Fines

The City does not record receivables for fines imposed by the City Court, but records fines as revenue when collected.

4. Enterprise Accounts Receivable

No reserve for estimated uncollectible accounts receivable is maintained because uncollectible amounts are not considered material. Receivables are reported net of revenues collected in advance.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY, continued

5. Inventories

Inventories of the governmental funds are expensed at the time of purchase. Enterprise fund inventories of materials and supplies are valued at cost and the first-in-first-out (FIFO) method is utilized.

6. Restricted Assets

Certain assets of the enterprise funds are restricted for specific uses as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds representing a liability to the enterprise funds. These restricted assets represent cash, cash equivalents, and investments restricted for use to repay current debt and establish a reserve for future debt.

7. Capital Assets

The City's major infrastructure network-streets-that had been put in place prior to implementation of GASB Statement No. 34 have not been retroactively reported at this time which could have a material effect on the financial statements.

The City's assets are capitalized at historical cost or estimated historical cost. City 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. The costs of normal maintenance and repairs are charged to operations as incurred.

Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows (land is not depreciated):

<u>Assets</u>	<u>Years</u>
<u>Government Activities</u>	
Buildings	10-50
Land Improvements	10-40
Vehicle and Equipment	5-40
<u>Enterprise Activities</u>	
Buildings	40-50
Water Distribution and Sewer Collection Systems	10-50
Machinery, Vehicles and Equipment	10-25
Land Improvements	10-40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City only has one item that qualifies for reporting in this category. It is a contingent judgement liability that required a payment of the Justice Court judgement amount in order for the City to appeal to District Court. See Note 20 for additional, information on this case.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY, continued

8. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item deferred tax revenue is reported only in the governmental funds balance sheet. The governmental funds report deferred tax revenue from two sources; property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Compensated Absences

It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation. Any vacation leave time accumulated over this maximum carryover must be used within 90 days of the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave based on the current hourly rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental activities column of the statement of net position, while the liability associated with enterprise fund-type employees is recorded in the respective fund and the business-type activities column of the statement of net position. For the purposes of reporting these compensated absences payable as current or non-current, the City considers accrued vacation pay as current (payable within one year) and accrued sick leave as non-current.

10. Long-term Obligations

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or enterprise fund type statement of net position.

In the fund financial statements, governmental funds recognize the face amount of the debt issued as other financing sources revenue.

11. Net Position/Fund Balance

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets. Restricted net positions are those that have constraints placed on them either by external parties or imposed by law or enabling legislation.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY, continued

The City implemented GASB Statement 54 in fiscal year 2011. This statement requires governmental fund balances to be categorized as follows:

- Non-spendable—funds that are not spendable in form (i.e. inventories) or are designated (i.e. corpus)
- Restricted—externally enforceable legal restrictions exist, such as state law or bond covenants
- Committed—constraint formally imposed by the City Commission by the end of the reporting period
- Assigned—constraint imposed at a level below the City Commission by the reporting date
- Unassigned—remaining balance

The City Commission is the highest governing body in the City and any constraints on funds set by it must be reported as committed if action is taken by fiscal year end. The City Manager, City Clerk and/or Finance Officer can impose constraints that would cause amounts to be assigned.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition—the total cash and cash equivalents, restricted cash and investments at June 30, 2014, are detailed as follows:

Cash on Hand	\$	1,247
Cash in Banks:		
Cash in linked Demand/Repurchase Deposits		4,206,056
Cash in Savings Deposits		481
Non-negotiable Certificates of Deposit		1,006,516
U.S. Government Securities		<u>4,692</u>
Total Cash on Hand & in Banks	\$	<u>5,218,992</u>
Plus: Deposits in Transit	\$	11,535
Less: Outstanding ACH not cleared bank		(2,914)
Less: Outstanding checks		<u>(365,787)</u>
Cash reported in Fund Financial Statements	\$	<u><u>4,861,826</u></u>

Cash On Hand—represents petty cash and change drawer amounts.

Cash in Bank Deposits and Custodial Credit Risk—cash in bank balances includes deposit items such as daily demand and savings accounts. The City minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned or the City will not be able to recover the collateral securities in the possession of the outside party. Types of securities that may be pledged as collateral are detailed in Section 17-6-103, Montana Code Annotated (MCA).

Of the bank balances, \$500,000 was covered by federal depository insurance, and \$4,232,022 was covered by securities held by the pledging bank's trust department but not in the City's name, \$986,969 was uncollateralized and uninsured. Montana statutes state that the City must have pledged securities equal to at least 50% of its total bank deposits that are not insured or guaranteed.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

At June 30, 2014, the amount of collateral held for City deposits exceeded the amount required. In October 2008, the FDIC increased its insurance limit to \$250,000 which was extended permanently on December 31, 2012.

Repurchase Agreements—an agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the City and promises to repay the cash plus interest in exchange for the same securities. Transfers occur approximately daily.

Pooled Investments—at June 30, 2014 the City’s pooled investment balances were as follows:

Investments	<u>Maturity in Years</u>					No Maturity	Total	Rating
	Less							
	than 1	1-2	2-3	3-4	4-5			
Non-negotiable Certificates of Deposit	\$ 1,006,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,006,516	NR
U.S. Government Securities	4,692	-	-	-	-	-	4,692	A1
Repurchase Agreements	-	-	-	-	-	4,206,056	4,206,056	A3
Total Government Investments	<u>\$ 1,011,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,206,056</u>	<u>\$ 5,217,264</u>	

Interest Rate Risk—is defined as the risk that the fair value of investments could decrease in a rising interest rate environment. The government does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk—as a means of limiting its exposure to credit risk (the risk that an issuer or other counter party to an investment will not fulfill its obligations), the City limits its investments to the safest type of securities and those allowed by Montana State statute. The City also diversifies the investment portfolio so that the impact of the potential losses from any one type of security or from any one individual issuer will be minimized.

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special improvement districts (SIDs) are created to provide improvements; assessments are levied to service the SID bonds. SID assessments receivable are recorded when the bonds are issued. District residents have the option to pay their share of the SID debt early. The City also loans funds to residents to construct or repair sidewalks, curbs, gutters; has special assessment lighting districts and a weed cleanup district. Assessment receivables were as follows:

	<u>Issued</u>	<u>Term</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>
SID #42 Streetscape	2010	15 years	\$ 599,851	\$ 7,820	\$ 592,031
Maintenance District Assessments			562	562	-
Weed Maintenance Assessments			925	925	-
Total			<u>\$ 601,338</u>	<u>\$ 9,307</u>	<u>\$ 592,031</u>

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers—the City uses interfund transfers for regular re-occurring internal charges, such as debt service, supplies and materials, capital project fund transfers, and services provided. The following is an analysis of operating transfers in and out during the fiscal year 2014:

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES, continued

	Transfers In:			Total	Purpose
	General Fund	Tax Increment Financing District	TIFD City Dock & Walkpath		
Transfers Out:					
Tax Increment Financing District	\$ -	\$ -	\$ 51,500	\$ 51,500	Fund Reserve
Nonmajor governmental funds	66,462	-	-	66,462	Medical Levy Transfer
TIFD City Dock & Walkpath	-	3,050	-	3,050	City Contribution
Total Transfers Out	<u>\$ 66,462</u>	<u>\$ 3,050</u>	<u>\$ 51,500</u>	<u>\$ 121,012</u>	

Due To/Due From—the City general fund temporarily loaned \$54,390 to the building code fund and \$1,388 to the hanging basket maintenance fund at June 30, 2014 to cover cash deficits in those funds.

NOTE 5: DUE FROM (TO) OTHER GOVERNMENTS

The City had the following amount due from (to) other government entities as of June 30, 2014:

Fund	Paying Government	Due From Amount	Due (To) Amount
General Fund	Lake County	\$ 97,256	\$ -
General Fund	State of Montana	4,000	-
General Fund	CSKT	6,300	-
Police Municipal Services Levy	Lake County	14,068	-
Tax Increment District	Lake County	23,190	-
Tax Increment District	Lake County	-	(49,240)
Permissive Medical Mills	Lake County	5,289	-
Light Maintenance District #19	Lake County	70	-
Weed Cleanup Maintenance Fund	Lake County	655	-
SID #42 Streetscape Main Street Improvement Project	Lake County	6,289	-
Sewer Fund	State of Montana	15,000	-
Total		<u>\$ 172,117</u>	<u>\$ (49,240)</u>

NOTE 6: CAPITAL GRANT REVENUE

Governmental capital grants consist of the following:

Fund	Paying Government	Amount
Gas Tax	Montana Department of Transportation Highway Traffic Safety Grant	\$ 42,448
Total		<u>\$ 42,448</u>

Enterprise capital grants consist of the following:

Fund	Paying Government	Amount
Sewer	State of Montana TSEP/RRGL Planning Grant	\$ 15,000
Total		<u>\$ 15,000</u>

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 7: CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 86,915	\$ -	\$ -	\$ 86,915
Construction in Progress	57,689	816,379	(375,314)	498,754
Total capital assets not being depreciated:	<u>\$ 144,604</u>	<u>\$ 816,379</u>	<u>\$ (375,314)</u>	<u>\$ 585,669</u>
Depreciable capital assets				
Buildings	\$ 478,514	\$ 5,625	\$ -	\$ 484,139
Machinery & Equipment	3,078,612	159,507	(23,979)	3,214,140
Improvements	796,256	321,705	-	1,117,961
Infrastructure	2,215,464	2,918	-	2,218,382
Total depreciable capital assets at historical cost	\$ 6,568,846	\$ 489,755	\$ (23,979)	\$ 7,034,622
Less: accumulated depreciation	(2,744,787)	(329,201)	14,387	(3,059,601)
Total depreciable capital assets at historical cost, net	<u>\$ 3,824,059</u>	<u>\$ 160,554</u>	<u>\$ (9,592)</u>	<u>\$ 3,975,021</u>
Net book value	<u>\$ 3,968,663</u>	<u>\$ 976,933</u>	<u>\$ (384,906)</u>	<u>\$ 4,560,690</u>

Governmental depreciation expense was charged to functions as follows:

Governmental Activities:	Depreciation
General Government	\$ 35,497
Public Safety	112,029
Public Works	122,949
Culture and Recreation	48,002
Housing and Community Development	10,724
Total governmental activities depreciation	<u>\$ 329,201</u>

Capital asset activity for the business-type funds for the year ended June 30, 2014 was as follows:

**Golf Fund**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,042,231	\$ -	\$ -	\$ 2,042,231
Construction in Progress	-	10,775	-	10,775
Total capital assets not being depreciated:	<u>\$ 2,042,231</u>	<u>\$ 10,775</u>	<u>\$ -</u>	<u>\$ 2,053,006</u>
Other capital assets				
Buildings	\$ 541,101	\$ 9,174	\$ -	\$ 550,275
Machinery & Equipment	1,121,683	62,360	(38,200)	1,145,843
Improvements	428,515	9,182	-	437,697
Total other capital assets at historical cost	\$ 2,091,299	\$ 80,716	\$ (38,200)	\$ 2,133,815
Less: accumulated depreciation	(1,265,788)	(93,429)	30,560	(1,328,657)
Total other capital assets at historical cost, net	<u>\$ 825,511</u>	<u>\$ (12,713)</u>	<u>\$ (7,640)</u>	<u>\$ 805,158</u>
Net book value	<u>\$ 2,867,742</u>	<u>\$ (1,938)</u>	<u>\$ (7,640)</u>	<u>\$ 2,858,164</u>

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 7: CAPITAL ASSETS, continued

**Water Fund**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 177,064	\$ -	\$ -	\$ 177,064
Construction in Progress	1,378,062	249,533	(1,306,317)	321,278
Total capital assets not being depreciated:	<u>\$ 1,555,126</u>	<u>\$ 249,533</u>	<u>\$ (1,306,317)</u>	<u>\$ 498,342</u>
Other capital assets				
Source of Supply	\$ 2,457,821	\$ -	\$ -	\$ 2,457,821
Pumping Plant	190,204	-	-	190,204
Treatment System	15,678	-	-	15,678
Transmission and Distribution	9,504,447	1,335,244	-	10,839,691
General plant	82,935	39,385	-	122,320
Total other capital assets at historical cost	\$ 12,251,085	\$ 1,374,629	\$ -	\$ 13,625,714
Less: accumulated depreciation	(4,283,988)	(300,216)	-	(4,584,204)
Total other capital assets at historical cost, net	<u>\$ 7,967,097</u>	<u>\$ 1,074,413</u>	<u>\$ -</u>	<u>\$ 9,041,510</u>
Net book value	<u>\$ 9,522,223</u>	<u>\$ 1,323,946</u>	<u>\$ (1,306,317)</u>	<u>\$ 9,539,852</u>

**Sewer Fund**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 19,456	\$ -	\$ -	\$ 19,456
Construction in Progress	241,962	241,570	(158,989)	324,543
Total capital assets not being depreciated:	<u>\$ 261,418</u>	<u>\$ 241,570</u>	<u>\$ (158,989)</u>	<u>\$ 343,999</u>
Other capital assets				
Pumping Plant	\$ 1,051,191	\$ 10,803	\$ -	\$ 1,061,994
Treatment System	2,077,376	-	-	2,077,376
Collection System	3,690,575	175,434	-	3,866,009
General plant	106,977	39,385	(10,500)	135,862
Total other capital assets at historical cost	\$ 6,926,119	\$ 225,622	\$ (10,500)	\$ 7,141,241
Less: accumulated depreciation	(4,648,647)	(130,228)	10,500	(4,768,375)
Total other capital assets at historical cost, net	<u>\$ 2,277,472</u>	<u>\$ 95,394</u>	<u>\$ -</u>	<u>\$ 2,372,866</u>
Net book value	<u>\$ 2,538,890</u>	<u>\$ 336,964</u>	<u>\$ (158,989)</u>	<u>\$ 2,716,865</u>

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 7: CAPITAL ASSETS, continued

**Stormwater Fund**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	869	-	869
Total capital assets not being depreciated:	<u>\$ -</u>	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ 869</u>
Other capital assets				
Collection System	\$ 359,051	\$ -	\$ -	\$ 359,051
Total other capital assets at historical cost	\$ 359,051	\$ -	\$ -	\$ 359,051
Less: accumulated depreciation	(21,543)	(7,181)	-	(28,724)
Total other capital assets at historical cost, net	<u>\$ 337,508</u>	<u>\$ (7,181)</u>	<u>\$ -</u>	<u>\$ 330,327</u>
Net book value	<u>\$ 337,508</u>	<u>\$ (6,312)</u>	<u>\$ -</u>	<u>\$ 331,196</u>

NOTE 8: LONG TERM DEBT OBLIGATIONS

In the government-wide and enterprise funds financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures of the current period.

Legal Debt Margin—The City’s legal debt limitation is 2.5% of total assess value of taxable property, As of June 30, 2014 the debt margin was \$381,343,642.

Changes in Long-term Liabilities—During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

**Governmental Activities:**

	Balance July 1, 2013	Additions	Decreases	Balance June 30, 2014	Due Within One Year
Special Assessment Bonds	\$ 626,517	\$ -	\$ (41,036)	\$ 585,481	\$ 43,522
Street Wheel Loader Loan	23,947	-	(15,885)	8,062	8,062
Tax Increment Bonds, Series 2013	-	800,000	(27,962)	772,038	57,181
Compensated Absences	212,218	6,092	-	218,310	155,284
Total	<u>\$ 862,682</u>	<u>\$ 806,092</u>	<u>\$ (84,883)</u>	<u>\$ 1,583,891</u>	<u>\$ 264,049</u>

**Business-type Activities:**

	Balance July 1, 2013	Additions	Decreases	Balance June 30, 2014	Due Within One Year
Revenue Bonds, Series 2013 (Golf)	\$ 400,000	\$ -	\$ (96,891)	\$ 303,109	\$ 98,936
Golf cart loan	14,930	-	(14,930)	-	-
Revenue Bonds (Water)	279,000	-	(16,000)	263,000	16,000
Compensated Absences	93,008	6,908	-	99,916	69,217
Total	<u>\$ 786,938</u>	<u>\$ 6,908</u>	<u>\$ (127,821)</u>	<u>\$ 666,025</u>	<u>\$ 184,153</u>

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 8: LONG TERM DEBT OBLIGATIONS, continued

**Special Assessment Bond Debt**

Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts which become a lien on the property. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. The bonds are backed by the full faith and credit of the City. The City maintains a reserve fund to cover defaults by property owners. The City issued one amortization bond on September 15, 2010 for \$750,000 to assist in construction on the Main Street Streetscape project. A reserve account in the amount of \$37,500 was established as required by the bond resolution. The bond is a special, limited obligation of the City and does not constitute a general obligation of the City. If there are insufficient funds in the reserve account and/or the SID revolving fund, the general fund will loan an amount as may be necessary to the SID revolving fund to ensure a minimum fund balance of 5% of the outstanding bond principal to ensure payments are made. Special assessment bonds outstanding reported in the governmental activities as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amount	Annual Payment	Balance June 30, 2014
SID #42 Streetscape Project	09/15/2010	3.95%	15 yrs	07/01/2025	\$ 750,000	\$ 66,225	\$ 585,481
Total					<u>750,000</u>		<u>585,481</u>

Annual requirement to amortize special assessment bond debt:

For Fiscal Year Ended	Principal	Interest	Total Payments
2015	\$ 43,522	\$ 22,703	\$ 66,225
2016	45,202	21,023	66,225
2017	47,062	19,163	66,225
2018	48,939	17,286	66,225
2019	50,891	15,334	66,225
2020-2024	317,388	45,841	363,229
2025	32,477	636	33,113
Total	<u>\$ 585,481</u>	<u>\$ 141,986</u>	<u>\$ 727,467</u>

**Revenue Bonds**

Revenue Bonds (Golf Course)—On April 1, 2013, the City issued one \$400,000 amortized revenue bond with an interest rate of 2.1% to currently refund the series 1998 revenue bonds. This new debt matures on April 1, 2017. The City completed the current refunding to reduce its total debt service payments in the Golf fund by \$83,311.

Revenue Bonds (Water System)—In October 2009 the City issued water system revenue bonds series 2009B through the State of Montana’s Department of Natural Resources and Conservation (DNRC) Drinking Water State Revolving Loan Program. The bond requires semi-annual principal payments ranging from \$6,700 in 2010 to \$18,000 in 2029.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 8: LONG TERM DEBT OBLIGATIONS, continued

Revenue bonds outstanding reported in the business-type as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amount	Annual Payment	Balance June 30, 2014
Revenue Bonds, Series 2013 (Golf)	04/01/2013	2.10%	4 yrs	04/01/2017	\$ 400,000	\$ 104,785	\$ 303,109
Revenue Bonds (Water)	10/16/2009	0.75%	20 yrs	07/01/2029	333,700	Varies	263,000
Total					<u>\$ 733,700</u>		<u>\$ 566,109</u>

Annual requirement for revenue bond debt (principal plus interest) equals the amount of charges for services for the year pledged to pay debt except in final year when reserve may be applied to debt.

Annual requirement to amortize revenue bond debt:

For Fiscal Year Ended	Revenue Bonds Golf Course, Series 2013		Revenue Bonds Water System		Total Bonds		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 98,936	\$ 5,850	\$ 16,000	\$ 1,943	\$ 114,936	\$ 7,793	\$ 122,729
2016	101,016	3,771	16,000	1,823	117,016	5,594	122,610
2017	103,157	1,630	16,000	1,702	119,157	3,332	122,489
2018			16,000	1,582	16,000	1,582	17,582
2019			16,000	1,462	16,000	1,462	17,462
2020-2024			84,000	7,322	84,000	7,322	91,322
2025-2029			99,000	2,228	99,000	2,228	101,228
Total	<u>\$ 303,109</u>	<u>\$ 11,251</u>	<u>\$ 263,000</u>	<u>\$ 18,062</u>	<u>\$ 566,109</u>	<u>\$ 29,313</u>	<u>\$ 595,422</u>

The Golf Course and Water System revenue bonds impose certain requirements on operations including:

1. Segregated cash accounts with restrictions on their use.
2. Accounting for the water and golf funds in accordance with generally accepted accounting principles.
3. Net revenues of not less than 125% of the sum of the maximum amount of principal and interest due in any future fiscal year for the water revenue bond.
4. Monthly apportionment to the revenue bond account adequate to meet annual principal and interest requirements and to establish a reserve in the amount of \$52,393 for the golf fund and \$18,183 for the water fund.
5. A reserve account established in the amount of \$18,979 for the water system (no reserve required for the golf fund).
6. Carry property and liability insurance and surety bonds.

The City was in compliance with the above requirements.

**Tax Increment Urban Renewal Bonds**

On August 15, 2013 the City issued \$800,000 of tax increment urban renewal bonds to finance the construction of the City Dock and the walkpath under the bridge that connects Sacajawea Park and Riverside Park. Five bonds were issued in an amount of \$160,000 each to five local banks and bear interest at the rate of 2.987%. The bonds require semi-annual payments of \$79,818 on August 15<sup>th</sup> and February 15<sup>th</sup> each fiscal year. This new debt matures on August 15, 2025. Tax revenues from the tax increment financing district (TIFD) are pledged to pay the principal and interest on the bonds.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 8: LONG TERM DEBT OBLIGATIONS, continued

Tax increment Urban Renewal bonds outstanding reported in the governmental activities as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amount	Annual Payment	Balance June 30, 2014
TIFD City Dock and Walkpath Project	08/15/13	2.99%	12 yrs	08/15/25	\$ 800,000	\$ 79,818	\$ 772,038
Total							<u>\$ 772,038</u>

Annual requirement to amortize the Tax Increment Urban Renewal Bonds:

For Fiscal Year Ended	Principal	Interest	Total Payments
2015	\$ 57,181	\$ 22,637	\$ 79,818
2016	58,902	20,916	79,818
2017	60,675	19,143	79,818
2018	62,501	17,317	79,818
2019	64,381	15,437	79,818
2020-2024	352,161	46,930	399,091
2025	116,238	3,490	119,728
Total	<u>\$ 772,039</u>	<u>\$ 145,870</u>	<u>\$ 917,909</u>

**Other Loans/Contracted Debt**

In May 2011, the City borrowed \$47,200 from the Montana Board of Investments Intercap Revolving Program under MCA 17-1604 to purchase a Case Wheel Loader for the street department. This is a variable rate loan program and the interest rate is adjusted on February 16<sup>th</sup> of each year. Principal and interest are due on each February 15<sup>th</sup> and August 15<sup>th</sup>. The current interest rate through February 15, 2015 is 1.00%. Prepayments are allowed without any prepayment penalty. The loan matures in less than one year and is no longer shown as long-term debt on the government-wide statement of net position.

Loans/contracted debt outstanding as of June 30, 2014 reported in both governmental activities and business type activities were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2014
Streets-Wheel Loader	05/13/2011	1.00%	3 yrs	08/15/2014	\$ 47,200	\$ 8,062
Total					<u>\$ 47,200</u>	<u>\$ 8,062</u>

Annual requirement to amortize loan debt:

For Fiscal Year Ended	Intercap Loan Case Wheel Loader		Total
	Principal	Interest	Payments
2015	\$ 8,062	\$ 40	\$ 8,102
Total	<u>\$ 8,062</u>	<u>\$ 40</u>	<u>\$ 8,102</u>

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 8: LONG TERM DEBT OBLIGATIONS, continued

**Compensated Absences**

See Note 1.9

**Estimated Retiree Health Care Costs**

See Note 10

NOTE 9: RETIREMENT AND PENSION PLANS

The City participates in the Montana Public Employees' Retirement System (PERS) plan which is a cost sharing multiple-employer defined benefit or defined contribution plan that provides retirement, disability and death benefits. The plan is established and administered by the State of Montana through the Montana Public Employees' Retirement Administration (MPERA). Beginning January 2014 the City also began participation in the Municipal Police Officers' Retirement System (MPORS) for the City police officers who elected out of their participation in PERS and into MPORS. This plan is a cost sharing multiple-employer defined benefit plan that provides retirement, disability and death benefits. This plan is established and administered by the State of Montana through MPERA. For those police officers that did not elect into MPORS the City set up a deferred compensation 457(b) plan also administered by MPERA for the difference in the employer rate between MPORS and PERS which was 6.24% for fiscal year 2014.

Contribution rates for the plan are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

Paid by:	<u>Employer</u>	<u>Employee</u>	<u>State of MT</u>	<u>Total</u>
PERS	8.17%	7.9%	.1%	16.17%
MPORS	14.41%	9.0%	29.37%	52.78%

The amount contributed to PERS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by the employee and City were as follows:

<u>Year</u>	<u>Employee</u>	<u>Employer</u>
2012	\$103,917	\$105,991
2013	\$104,684	\$107,263
2014	\$117,591	\$120,123

The amount contributed to MPORS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by the employees and City were as follows.

<u>Year</u>	<u>Employee</u>	<u>Employer</u>
2012	\$0	\$0
2013	\$0	\$0
2014	\$13,245	\$21,206

The State contribution qualifies as an on behalf payment. The City recorded revenue of \$1,488 for PERS and \$43,222 for MPORS with an offsetting expenditure in the general fund to additional costs. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained from the following:

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 9: RETIREMENT AND PENSION PLANS, continued

Montana Public Employees Retirement Administration  
PO Box 200131  
100 North Park Avenue, Suite 200  
Helena, Montana 59620-0131  
Telephone: (406) 444-3154

Volunteer fireman are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State law, is governed by an independent board, and is not considered a component part of the City. The City contributes to the fund in accordance with State law when it contains an amount less than 0.21% of the City's taxable valuation. The City made no contributions to the plan in FY 2014.

NOTE 10: ESTIMATED HEALTH CARE COSTS

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) in fiscal year 2010. Since the first actuarial study was done in 2010, the City has changed insurance carriers. With the former carrier, the City was paying a level premium for all employees and any retirees that might continue on the plan. With the new carrier, the City is paying age-related premiums for each employee and any retirees would also pay the age-related premium. As a result of this change, the City has been advised by its actuary that there is no "implicit rate subsidy" for retirees and there is no need to accrue a liability.

*Plan Description.* The City has a single-employer group health plan through Blue Cross Blue Shield of Montana which provides medical, vision and dental benefits. For retirees to qualify for the City's health insurance plan, an employee must have attained age 50 and have completed 5 years of service (early retirement) or 25 years of service (normal retirement) and be on the City's plan at retirement. The health insurance plan has two options; one lower deductible health plan and one high deductible health plan (HDHP) which qualifies for Health Savings Account (HSA). The lower deductible plan has deductibles of \$750 per individual and \$1,500 per family. After the deductible is met, the plan pays 80% of eligible medical expenses. Premiums range from \$318 to \$731 for individual (currently there are no spouse or families on this plan). The employee pays \$37 for individual coverage and the City pays the remaining amount; the employee pays the full premium for spouse and family coverage. The HDHP has \$3,000 deductible for individuals and a \$6,000 deductible for families. After the deductible is met, the plan pays 100% of eligible medical expenses. The monthly premium cost ranges from \$238 for individuals to \$1,705 for families. The employee pays \$10 of the monthly premium and the City pays the remainder of the premium for each active eligible employee including spouse and family coverage.

The City has 30 active employees and no retired employees participating in the plan as of June 30, 2014.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The City was committed to spend approximately \$5,000 for expenditures related to the completion of the Main Street Streetscape project when warranty work is completed on the sidewalks. Funding for this project is in part from the MDT CTEP program.

The City was awarded a \$625,000 Treasure State Endowment Program (TSEP) grant for upgrades to the water system in fiscal year 2014 and 2015 and was committed to spend those funds and a \$100,000 Department of Natural Resources grant awarded in the prior year in the amount of \$100,000 and local match money and debt financing in the estimated amount of \$370,733 for a total project budget of \$1,095,733.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 11: COMMITMENTS AND CONTINGENCIES, continued

The City and other taxing districts within the County are contingently liable for refunds of property taxes under various tax appeals proceedings. In general, the amount available in the County's protested tax fund is sufficient to provide for such potential refunds; however, it is possible that refunds could be required relative to taxes not deposited in the protest fund. The City's potential liability, should such refunds be necessary, is not determinable. As of June 30, 2014, the City's portion of taxes remaining under protest totaled \$65,141.

As of June 30, 2014, delinquent assessments on special improvement districts (SIDs) were \$8,382. The delinquencies are due from various residential and commercial property owners. The City anticipates payment of the delinquencies from the land owners and will proceed with tax deeds on the property if the assessments are not paid current before the end of the SID bond terms.

The City entered into a contractual agreement on December 12, 2012 to refund 50% of future water impact fee revenues to a private entity for excess service capacity that was installed in a designated service area. In addition, the City will forego 100% of water impact fees on future development in the Mission Bay and Ridgewater subdivisions which are owned by the private entity. The anticipated liability is capped at \$200,000 and will be paid over a period of 15 years with the impact fees refunded and forgone. Any liability remaining at the end of the 15 years will be forfeited. A total of \$5,201 has been paid per the agreement at June 30, 2014.

As of June 30, 2014, the City was party to a lawsuit from a former leasee of the City's golf course restaurant. This lawsuit will not be covered by insurance. The case was filed in Lake County Justice Court. This amount has not been accrued in the City's financial statements. The case was scheduled to go to trial in December 2013. See note on subsequent events for additional information.

NOTE 12: DEFICIT FUND BALANCES/NET POSITION

The following funds had deficit fund balances at year end:

Fund Name	Amount	Reason for Deficit	How Deficit will be Eliminated
Building Code Enforcement Fund	\$ (55,285)	Expenditures exceeded revenues for FY 2014	Future revenue source
Streetscape/Main St. Imp. Project	\$ (323)	Expenditures exceeded revenues for FY 2014	Future revenue source

NOTE 13: RESTATEMENTS

During the current fiscal year, there were no restatements to the financial statements. However, during the fiscal year 2013 audit it was confirmed by the auditor that the liability for other post retirement benefits (OPEB) was not required (see Note 10 for additional information). Restatements were made in the June 30, 2013 audited financial statements for a change in accounting estimate in the amount of \$14,254 in the governmental statement of activities and \$7,532 in the business-type statement of activities and statement of revenue, expenses and changes in fund net position-proprietary funds.

NOTE 14: JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 14: JOINT VENTURES, continued

**City-County Airport**

Lake County, the City of Polson, the City of Ronan, and the Town of St. Ignatius jointly operate and maintain airports at each of the three locations. Lake County assesses a county-wide levy to support the airports and has applied for airport improvement grants and accounted for the revenues and expenditures related to the grants. The finances of the joint City/County airports are accounted for by Lake County in a special revenue fund and the airport improvement grants are accounted for by the County in capital project funds. The City of Polson owns some equipment used by the airport and approximately 40 acres of land upon which the Polson airport is located. Approximately 27 acres of additional land is leased from the Confederated Salish and Kootenai Tribes.

NOTE 15: COUNTY PROVIDED SERVICES

The City is provided various financial services by Lake County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions including the City. The funds collected and held by the County for the City are accounted for in fiduciary funds and are periodically remitted to the City by the County Treasurer. Neither the City nor County has recorded any service charges for the services it provides other governmental entities.

NOTE 16: RISK MANAGEMENT

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Commercial insurance policies are purchased for health insurance. Coverage for the loss or damage to property, professional liability insurance and workers' compensation insurance coverage is provided by the Montana Municipal Insurance Authority (MMIA). The City is a member of MMIA which is an intergovernmental agency formed by Montana municipalities to provide comprehensive liability and workers' compensation insurance coverage on a pooled basis. Liability coverage limits are \$750,000 per claim and \$1,500,000 per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in each of the past three fiscal years. Medical insurance costs for employees are provided by the Blue Cross Blue Shield of Montana.

NOTE 17: LITIGATION

The City is party to certain litigation under which it may be required to pay certain monies upon the decision of the courts. The office of the City Attorney reports various contingent liabilities based on the amount of damages alleged in various cases. However, it is the opinion of the City Attorney that the City's liability in the cases not covered by insurance may be material to the financial statements. The amount of that liability is not measurable at June 30, 2014 and accordingly, no provision has been made in the financial statements for these contingent liabilities. See note on subsequent events for additional information.

NOTE 18: SPENDING POLICY

The City receives inflows from revenue and other financial sources from numerous sources for use in its general fund. The fund will expend those resources on multiple purposes of the local government. The intention of this spending policy is to identify the expenditure order of resource categories for the general fund. Resources will be categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments. When both restricted and unrestricted resources are available in the general fund, the following spending policy will apply:



City of Polson  
Notes to the Financial Statements  
June 30, 2014

NOTE 20: SUBSEQUENT EVENTS

In April, 2015 the City was awarded a Treasure State Endowment Program grant in the amount of \$750,000 and a Department of Natural Resources grant in the amount of \$150,000 to be used in the construction of the mechanical wastewater treatment plant that will occur in fiscal years 2015-2018.

Subsequent to June 30, 2014, the City Commission approved a change in the proposed mechanical wastewater treatment plant from an MBD (membrane bioreactor) system to an SBR (sequencing batch reactor) system without filtration. This will save the City approximately \$1.5 million on the project. The change was made due to new information from the Environmental Protection Agency.

In December 2014 the City began charging new water and sewer utility rates. The increase for the basic 5,000 gallon consumer is \$3.16 for water and \$22.01 for sewer. The water increase will pay the debt service on the SRF loan package for the downtown looping project scheduled for completion in fiscal year 2015 and additional capital outlay in fiscal year 2016 and 2017. The sewer increase is an initial phase of increases that will occur over the next two fiscal years to pay the debt service and increased operating costs on the mechanical wastewater treatment plant.

Subsequent to June 30, 2014 the city became part of the Northwest Drug Task Force and is eligible to receive grant funding for drug detective wages. The City received a grant of \$11,630 for fiscal year 2015.

The City was named as defendant in a lawsuit involving a former lessee of the golf course restaurant. The case was tried in Lake County Justice Court in December 2013 and the Judge awarded the plaintiff the sum of \$12,300. This amount will not be covered by insurance. Management decided, on the advice of the City Attorney, to appeal this decision to Lake County District Court. In order to file the appeal the City had to deposit the judgement of \$12,300 with the Justice Court pending the outcome of the appeal. The trial is set for August 10, 2015. The amount had been recorded as a deferred outflow in the June 30, 2014 financial statements.

On June 23, 2015 the City completed the sale of its All Beverage Liquor License on behalf of the Golf Enterprise Fund. The sale proceeds were \$55,000. The City acquired a municipal golf course beer and wine license which has been in use since May of 2015.

On June 22, 2015 the City Commission passed Resolution No. 2015-017 raising impact fees. The increase went into effect on July 22, 2015. Water and Sewer impact fees were increased to 100% of the allowed collection level for both residential and commercial. For residential water development the fee will increase from \$1,655 to \$3,310. For residential sewer development the fee will increase from \$765.50 to \$1,531. Fire and Parks impact fees were increased to 60% of the allowed collection level for both residential and commercial (parks is residential only). For residential development the fire impact fee will increase from \$85.50 to \$582.60 and the park impact fee will increase from \$510 to \$612.

On June 1, 2015, the City Commission awarded the bid for construction of two golf car storage buildings in the amount of \$181,000 to be built during FY16. On July 6, 2015 the City Commission approved a bid of \$161,700 for a fleet of 60 golf cars to be purchased by the golf enterprise fund to replace the existing fleet of cars. The golf maintenance department also solicited bids for replacement of the Olde Nine irrigation system, but was unsuccessful in securing a bid. On July 6, 2015 the City Commission approved a six month loan from the sewer enterprise fund to the golf enterprise fund in the amount of \$342,700 to bridge an eventual loan package that would include financing for the Olde Nine irrigation system.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

City of Polson  
Lake County, Montana  
General Fund-Schedule of Revenues, Expenditures and Changes in  
Fund Balance-Budget and Actual, (Non-GAAP Budgetary Basis),  
for the Fiscal Year Ended June 30, 2014

	Non-GAAP Budgetary Basis				Adjustment to Fund Financial Statements	Foot- note	GAAP Basis
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)			Statement of Revenues, Expenditures and Changes in Fund Balance
<b>REVENUES</b>							
Taxes	\$ 1,282,119	\$ 1,282,119	\$ 1,262,996	\$ (19,123)			\$ 1,262,996
Licenses and permits	18,150	18,150	17,206	(944)			17,206
Intergovernmental revenue	595,024	595,024	692,268	97,244			692,268
Charges for services	137,550	137,550	139,527	1,977			139,527
Fines and forfeitures	54,200	54,200	40,585	(13,615)			40,585
Miscellaneous	85,456	85,456	63,191	(22,265)			63,191
Investment earnings	3,500	3,500	856	(2,644)			856
<b>Total revenues</b>	<u>\$ 2,175,999</u>	<u>\$ 2,175,999</u>	<u>\$ 2,216,629</u>	<u>\$ 40,630</u>			<u>\$ 2,216,629</u>
<b>EXPENDITURES</b>							
Executive services	\$ 25,061	\$ 25,061	\$ 25,041	\$ (20)	77	A	\$ 25,118
Judicial services	56,926	56,926	55,336	(1,590)	171	A	55,507
Administration services	126,598	126,598	136,486	9,888	422	A	136,908
Financial services	179,155	179,155	179,678	523	556	A	180,234
Legal services	45,850	45,850	79,465	33,615			79,465
Facilities administration	225,450	225,450	223,988	(1,462)			223,988
Law enforcement services	989,498	989,498	1,016,569	27,071	3,144	A	1,019,713
Detention & correction services	2,000	2,000	467	(1,533)			467
Fire protection & control	159,965	159,965	144,564	(15,401)	447	A	145,011
Protective inspections	98,457	98,457	86,858	(11,599)	269	A	87,127
Road & street services	192,706	192,706	209,218	16,512	647	A	209,865
Social & economic services	1,600	1,600	-	(1,600)			-
Parks	167,317	167,317	158,148	(9,169)	489	A	158,637
Miscellaneous	11,702	11,702	-	(11,702)			-
Capital outlay	100,956	100,956	63,626	(37,330)			63,626
<b>Total expenditures</b>	<u>\$ 2,383,241</u>	<u>\$ 2,383,241</u>	<u>\$ 2,379,444</u>	<u>\$ (3,797)</u>			<u>\$ 2,385,666</u>
Excess of revenues over (under) expenditures	\$ (207,242)	\$ (207,242)	\$ (162,815)	\$ 44,427			\$ (169,037)
Other financing sources/uses	\$ 70,583	\$ 70,583	\$ 79,790	\$ 9,207			\$ 79,790
<b>Net change in fund balances</b>	<u>\$ (136,659)</u>	<u>\$ (136,659)</u>	<u>\$ (83,025)</u>	<u>\$ 53,634</u>			<u>\$ (89,247)</u>
Fund Balance July 1, 2013	496,837						496,837
Fund Balance June 30, 2014	<u>360,178</u>						<u>\$ 407,590</u>

Explanation of Differences Between Budgetary Basis to GAAP Basis

A) Change in accrual for payroll, for earned but unpaid.

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

City of Polson  
 Lake County, Montana  
 Tax Increment District-Schedule of Revenues, Expenditures and Changes in  
 Fund Balance-Budget and Actual, (Non-GAAP Budgetary Basis),  
 for the Fiscal Year Ended June 30, 2014

	Non-GAAP Budgetary Basis				Adjustment to Fund Financial Statements	Foot- note	GAAP Basis
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)			Statement of Revenues, Expenditures and Changes in Fund Balance
<b>REVENUES</b>							
Taxes	\$ 146,500	\$ 146,500	\$ 130,778	\$ (15,722)			\$ 130,778
Intergovernmental revenue	-	-	13,081	13,081			13,081
Investment earnings	200	200	702	502			702
Total revenues	<u>\$ 146,700</u>	<u>\$ 146,700</u>	<u>\$ 144,561</u>	<u>\$ (2,139)</u>			<u>\$ 144,561</u>
<b>EXPENDITURES</b>							
Housing and community development	\$ 44,910	\$ 44,910	\$ 48,994	\$ 4,084			\$ 48,994
Total expenditures	<u>\$ 44,910</u>	<u>\$ 44,910</u>	<u>\$ 48,994</u>	<u>\$ 4,084</u>			<u>\$ 48,994</u>
Excess of revenues over (under) expenditures	<u>\$ 101,790</u>	<u>\$ 101,790</u>	<u>\$ 95,567</u>	<u>\$ (6,223)</u>			<u>\$ 95,567</u>
Other financing sources/uses	\$ (51,500)	\$ (51,500)	\$ (48,450)	\$ 3,050			\$ (48,450)
Net change in fund balances	<u>\$ 50,290</u>	<u>\$ 50,290</u>	<u>\$ 47,117</u>	<u>\$ (3,173)</u>			<u>\$ 47,117</u>
Fund Balance July 1, 2013	<u>196,971</u>						<u>196,971</u>
Fund Balance June 30, 2014	<u>247,261</u>						<u>\$ 244,088</u>

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

REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

---

# COTE & ASSOCIATES, CPA, PLLC

---

Phone: 406-543-8088  
Fax: 406-543-8088

1225 Cleveland, Suite 1  
P.O. Box 430  
Missoula, MT 59806

## 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*

### INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Polson  
Lake, County, Montana

I have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Polson (City), Lake County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements and have issued my report thereon dated July 31, 2015.

#### ***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's basic 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I identified one deficiency in internal control that I consider to be a material weakness. See Finding 2014-1. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, I 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 my audit, and accordingly I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Finding 2014-2.

***Purpose of this Report***

This report is intended solely to describe the scope of my 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 an 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.

Cote & Associates, CPA, PLLC

July 31, 2015  
Missoula, Montana

Schedule of Findings and Questioned Costs and Report on Prior Findings

2014-1 INTERNAL CONTROL DEFICIENCY WITH POTENTIAL MATERIAL FINANCIAL EFFECT ON CITY

*Criteria:* The five components of internal control as outlined by COSO (Committee of Sponsoring Organizations) are:

- (1) Control Environment
- (2) Risk Assessment
- (3) Control Activities
- (4) Information and Communication
- (5) Monitoring

Internal control is a framework that provides checks and balances in a continuing cycle of assessment and adjustment to provide the ability to meet an entity's goals. Control activities (#3), when planned and implemented appropriately, should detect and correct errors on an ongoing basis before errors affect the City internally or externally.

*Condition:* During the fiscal year ended June 30, 2014 several errors occurred in the payroll administration which were not detected and corrected before payments were made resulting in duplicate pay and a large overpayment to the Montana Public Employment Retirement System. In addition, a payroll deposit was missed, more than one payroll report was submitted late, and Montana New Hire forms have not been submitted for several years for new employees.

*Cause:* Lack of segregation of duties and cross checking, lack of monitoring, and lack of a commitment to adequate training. Commonly used division of duties in which a second employee reviewed payroll preparation before finalization and review of reports and report dates by management would most likely have prevented these problems. Payroll administrator has not received specific training for the job. Fiscal officer does not have sufficient oversight over the payroll function and there was no backup for her function when she was forced to be gone frequently for several months. Even though there are sufficient employees in the financial functions for the City, duties tend to be vertically structured under one person instead of cross-trained and planned for checks and balances.

*Effect:* The fiscal officer was able to detect most financial errors through reconciliations in time to correct information for the Annual Financial Report; but this happened several months after occurrence of errors affected payments and reporting, instead of preventing occurrence. Immaterial errors probably still exist in payroll financial reporting, especially in compensated absence accruals.

*Recommendation:* Re-design financial functions to facilitate checks and balances. Commit resources to adequate training for all employees. Improve monitoring.

2014-2 POLSON REDEVELOPMENT AGENCY IMPLEMENTATION DOCUMENT AND ACTUAL FUNCTIONING OF POLSON REDEVELOPMENT AGENCY ARE NOT ALIGNED

*Criteria:* As part of adopting an urban renewal plan in March 1998 for the City of Polson, Chapter 9 established a Polson Redevelopment Agency (PRA) in accordance with Montana Code Annotated "(MCA)7-15-Parts 42 and 43". MCA 7-15-4232 offers two options "(1) such urban renewal project powers may be assigned to a department or other officers of the municipality or to any existing public body corporate: or (2) the legislative body of a city may create an urban renewal agency in such municipality, to be known as a public body corporate, to which such powers may be assigned." The urban renewal plan Article 9.2 states "As soon as funding can be developed, the PRA will fund its own staff." Article 9.4 states that "the Agency shall cause to be performed a bi-annual independent audit covering operations of the Agency in carrying out the Plan."

Chapter 9 references MCA 7-15-Parts 42 and 43 frequently but does not specify whether the PRA was expected to operate under MCA. 7-15-4232 option (1) or (2). However all the other language in Chapter 9 including the expectations of its own staff and requirement for bi-annual audit indicate to the auditor that the PRA was expected to operate under MCA. 7-15-4232 option (2). In practice the PRA has evolved by fiscal 2014 to be simply an advisory committee to the City Commission.

Schedule of Findings and Questioned Costs and Report on Prior Findings

*Condition:* During the year ended June 30, 2014 the PRA through the city issued \$800,000 in new tax increment revenue bonds and constructed a replacement city dock and a new pathway under the Highway 93 Bridge over the Flathead River. In researching the PRA and its authorization the auditor determined that the PRA probably should have been treated as a component unit of the City instead of as a department.

*Cause:* Ambiguity in the document creating the PRA and a city administration that for many years prior to October 2013 seems to have operated casually.

*Effect:* There are conflicting opinions on how the PRA should operate. The financial statements have been including the PRA activities under City activities when they possibly should have been displayed in a separate column.

*Recommendation:* The City needs to decide whether it wants a component unit PRA or a departmental PRA then revise the language in Chapter 9 of the urban renewal document to align with whichever choice is made. If a component unit PRA is chosen, financial reporting display will need to be revised in future years. If a component unit is not chosen, the requirement for bi-annual audits needs to be removed and staffing language clarified.

REPORT ON FISCAL 2013 FINDINGS

2013-1 PROBLEMS WITH MONITORING AND COMMUNICATION

This finding was similar to finding 2014-1 but related to lack of recording a material liability which could have been known for several years but was passed over, partly by a lack of communication. The new City Manager has improved communications and is working on other parts of internal control planning.

2013-2 NON-COMPLIANCE WITH FEDERAL REGULATIONS

This finding related to lack of or late reporting to the Environmental Protection Agency for sewer operations. Reporting for the year ended June 30, 2014 was complete and timely.

2013-3 NON-COMPLIANCE WITH STATE LAW

This finding related to lack of a bid for a project which ran over the \$80,000 bidding threshold under Montana law. No non-compliance with the bidding requirement was identified in the year ended June 30, 2014.

# CITY OF POLSON

## CITY COMMISSION AGENDA ITEM SUMMARY

---

Consent Agenda Item Number: 12  
Meeting Date: September 9, 2015  
Staff Contact: Kyle Roberts, City Planner

---

### **AGENDA ITEM SUMMARY:** Polson Landing, Proposed Affordable Housing Project

**BACKGROUND:** At the July 20<sup>th</sup> City Commission meeting, Housing Solutions Developer, Alex Burkhalter provided an introduction and discussion about a proposed affordable housing project, Polson Landing. Polson Landing would be a 35 unit affordable housing complex located just off Ridgewater Drive.

**ANALYSIS:** This project would utilize the Housing Tax Credit (HTC), a Federal Government subsidy for affordable housing. Approximately 90% of affordable rental housing in the US today was developed with the help of HTCs. Unfortunately, HTCs are consistently running short. Each year Montana receives approximately \$27 million in HTCs, or enough to fund 4-6 projects. In August 2015, the State received 25 preliminary applications – the grand total request for HTCs was over \$100 million. That in mind, becoming a competitive applicant is crucial. The City can greatly strengthen the Polson Landing application by providing: 1) A letter of support; 2) Sending a representative to Helena to speak in favor of Polson Landing to the Board of Housing; 3) Supporting a reduction in parking requirements; and 4) Providing a soft loan to pay Impact Fees.

**DEVELOPMENT CODE CONSIDERATIONS:** The proposed Polson Landing would be on property zoned Highway Commercial (HCZD). Under the current Polson Development Code (PDC), such a project would be prohibited in HCZD as well as any other zoning district. However, under the proposed new PDC, such a project would be permitted under Mixed Residential (XRZD). After adoption of the new PDC, Polson Landing would have to file a zoning amendment in order to re-zone the current HCZD to XRZD.

Currently the PDC requires two parking stalls per unit. Because of the Polson Landing resident income restrictions, it is proposed that nearly all residents will have only one wage earner and therefore one car. A recent survey of Housing Solution's family properties in Kalispell and Missoula found a ratio of 1.10 and .98 cars per unit respectively. A reduction of the parking requirements would allow the Polson Landing affordable housing project to purchase less ground and therefore experience less cost. It is therefore recommended that the current requirement of two parking stalls per unit be reduced to 1.5 parking stalls per unit. The proposed new PDC would require only 1.5 parking stalls per unit.

**FINANCIAL CONSIDERATIONS:** As calculated, the proposed 35 unit apartment project would be required to pay approximately \$150,000 in Fire, Water, Sewer, and Administrative Impact Fees. Should the City provide Polson Landing, LLLP with a soft loan to pay Impact Fees, the income wouldn't be lost; rather, it would be deferred until the loan is repaid. In the development of affordable housing, the term "soft loan" is used to describe a loan where the lender understands the agreed upon payment schedule will be subject to the properties ability to pay. At the end of the loan term, the loan must be repaid. HTC projects are highly leveraged with little cash flow after payments made on the first position bank loan. This is why payments on the soft loan have to be subject to project cash flow. If a soft loan of Impact Fees is considered, it is suggested before final approval the City Attorney be consulted for legality under current City Ordinances.

The proposed Polson Landing project would have a property tax exemption. As such the City would not be collecting property taxes that go toward funding essential services such as police and fire. A viable option to remedy the loss in property tax collection would be a Payment of Lieu of Taxes (PILT) agreement. This has been done with similar affordable housing projects elsewhere.

**STAFF RECOMMENDATION:** Pending City Commission discussion.

**SUGGESTED MOTION:** Pending City Commission discussion.

**ATTACHMENTS:** Polson Landing Proposed Affordable Housing, White Paper, August 30, 2015  
City of Polson Letter of Support

**Polson Landing**  
Proposed Affordable Housing  
A White Paper  
August 30, 2015

## **1 Affordable Housing, Generally**

### **1.1 Definition of Affordable Housing**

Affordable Housing is a broad term with different meanings to different people; it includes both homeownership and rental housing. Generally, housing is considered “affordable” if the household is spending less than 30% of their total income on housing costs. For homeownership this would be the sum of mortgage, insurance, taxes, and utilities over annual income. For rental housing, affordability is determined based on rent plus utilities over income.

### **1.2 Income bands in need of Affordable Housing**

Household are placed in groups by income to discuss options and strategies for meeting their housing needs. The groups are labeled by percentage of Area Median Income. For a simple example, lets assume the Area Median Income (AMI) is \$50,000 and the Smith household earns \$25,000. The Smith household would be said to be earning 50% of AMI.

The three most commonly referenced groups are listed below.

#### **1.2.1 0% – 30% AMI - Extremely Low Income**

Most of these individuals are seniors with only social security, those with disabilities, or some other circumstance that prevents them from working. Programs offering a rental voucher is often the only way they are able to afford housing.

#### **1.2.2 31% - 60% AMI – Very Low to Low Income**

I call households in this income band the working poor. They are working, but often in entry level positions in retail, hospitality, or other service industries. Most commonly these households are living in rental apartments or other multifamily with income and rental rate restrictions to keep rents affordable. **Polson Landing will serve this income level.**

#### **1.2.3 60% AMI to 120% - Low to Moderate Income**

Households in this category are often occupying rentals without income or rental rate restrictions. Homeownership, with the assistance of first time homebuyer programs and insured mortgages becomes a possibility for these households.

## 2 Creating Affordable Housing for Very Low to Low Income Households (30%-60% AMI)

### 2.1 Subsidies

To make housing affordable to Very Low to Low Income Households a subsidy is necessary to fill in the financial gap created by the lower rental rates. There are two basic forms of subsidies for housing; rental subsidy and construction subsidy.

Rental subsidy works by paying the difference between what a household can afford to pay, and what the landlord charged rental rate is. In most cases the tenant pays 30% of their income towards rent and the balance of the rent is paid by the subsidy.

Construction subsidy works by creating additional incentives, and sometimes requirements, for investors and lenders to participate in a rental project. These may come as cash grants or non-cash benefits such as Housing Tax Credits, guarantee of loan repayments, or requirements on lenders to reinvest a portion of their funds in a particular geographical area.

### 2.2 Subsidy Providers

Subsidy for affordable housing can come from all different groups. The main source is government.

#### 2.2.1 Federal Government Subsidy for Affordable Housing

The Federal Government has a multitude of programs for affordable housing, however like many government programs the resources are insufficient to meet the need in the market.

##### 2.2.1.1 Federal Rental Subsidies

There are several federal rental subsidy programs. The two largest are HUD Vouchers (commonly called Section 8 Vouchers) and United State Department of Agriculture-Rural Development (USDA-RD) Project Based Rental Vouchers. HUD Vouchers come in two forms, Project Based and Housing Choice. Project based vouchers are tied to specific units; if you live in a voucher unit, you will have use of the voucher. Housing Choice Vouchers allow a tenant, once a voucher is assigned, to go into the rental market and select a unit. If the rental rate is acceptable to HUD and the unit meets physical condition standards, the tenant can move in with the property owner receiving a portion of the rent due from the tenant and a portion of the rent from HUD. Both of these programs, HUD Vouchers and USDA-RD, work by paying the difference between what a tenant can pay, 30% of their income, and what the market rental rate is. USDA-RD is reserved for “rural communities” of which most in Montana are. Our preliminary market study indicates that all the Low Income Rental Properties in Polson have either HUD or USDA-RD Vouchers associated with them.

While very effective at making housing affordable, new HUD Vouchers and new USDA-RD Vouchers are simply not being created. The funding of these programs is

continually being reduced. Additionally, most the project based voucher properties were built 30 plus years ago and operated on a government controlled budget that did not allow for proper ongoing maintenance and repair. As a result, many are in need of full rehabilitation. In fact there is often competition between new construction affordable properties and existing rent subsidized projects for construction subsidies that the existing rent subsidized properties desire to use for rehabilitation.

#### *2.2.1.2 Federal Construction Subsidies*

There are significantly more programs that have been created to subsidize the creation of affordable housing. Unlike the rental subsidies these are one time infusion of resources in the project in exchange for the owner to agree to keep rents restricted and only allow tenants below an agreed upon income level to occupy. Most of these programs are under the Housing and Urban Development, a division of the federal government. In addition to the lack of funding for HUD programs, the layers of “Red Tape” that are involved, and the corresponding fixed transaction costs (legal, accounting) make it nearly impossible to bring new affordable units to market with these programs in relatively rural Montana.

#### *2.2.1.3 Housing Tax Credits – A bright spot*

The one bright spot is the Low Income Housing Tax Credit (HTC). This program is unique in it’s structure, and as a result of that structure, also unique in it’s success. Unlike nearly all other federal programs, it is not under control of HUD. Rather, it is written directly in the US Tax Code. Created with the Tax Reform Act of 1986, the HTC Program was placed in the hands of the individual states for project selection, oversight and administration. The programs success is evident in that approximately 90% of affordable rental housing in the US today, approximately 2.4 million affordable homes since it’s creation, were developed with the help of HTCs.

HTCs provide affordable housing by offering an incentive, Federal Income Tax Credits, to rental building owners for restricting their rental units to households at or below 60% of Area Median Income. In addition to the restriction on household income, the property owner must also agree to keep rents at or below 30% of the income limit for each unit.

In spite of their effectiveness, or possibly because of, new HTCs are consistently running short. Most years in Montana see \$3 to \$4 dollars in request for each dollar of subsidy available.

If a project is granted an award of HTC the developer will partner with users of the HTC, most often large banks or other corporations with large corporate tax liabilities, and “sell” the credits in exchange for equity capital to complete the project. HTCs are the major subsidy of the proposed Polson Landing.

### 2.2.2 State of Montana Subsidies for Affordable Housing

The State of Montana has no legislatively appropriated dollars for housing. It does allocate a portion of its Federal Tax Exempt Bond Cap to the Montana Board of Housing to fund First Time Homebuyer Loan programs. **Generally, in Montana direct investment in affordable multifamily is zero.**

An indirect investment by the State of Montana is a statutory property tax exemption for properties that receive an allocation of HTCs and meet other requirements under [MCA 15-6-221](#). This statute sets the taxable value of HTC funded affordable housing properties at zero. Any state, county or local taxes based on property value times a mill rate are also zero. As a result the property tax exemption is a subsidy provided by both the state, county and city.

### 2.2.3 Local Subsidies for Affordable Housing

There is no standard form of local subsidies for affordable housing. We have experienced everything from reductions in parking requirement to the donation of city owned land for the creation of affordable rental housing.

Common forms of local subsidy are building and impact fee reductions or waivers, soft second position loans, and zoning requirement concessions. The reduction or waiving of fees has a direct effect on project costs, soft loans add to a project source of funds and zoning concessions, usually parking requirements, to reduce costs by reducing the land needed for the project.

## 2.3 Subsidy Request for Polson Landing

Polson Landing will be pursuing an award of Housing Tax Credits, a Property Tax Exemption and Local Support

### 2.3.1 Housing Tax Credits

The cornerstone funding for Polson Landing will be Housing Tax Credits. In late September the project will request approximately \$6.2 Million in HTCs; the expected value of these HTCs to investors is approximately \$5.8 Million. The competition for the HTCs in Montana is very strong. Each year the State receives approximately \$27 Million in HTCs, or enough to fund 4-6 projects. In August of 2015, the State received 25 preliminary applications. The total requests for HTC was over \$100 Million. There is nearly \$4 in request chasing each \$1 of HTC available.

A complete listing of of the 2016 Preliminary Applicants is on the following page.

### 2016 Montana Housing Tax Credit Preliminary Applications

<i>Project Name</i>	<i>Location</i>	<i>HTC Requested</i>
1. NOBLEHOMESTEAD Homes	Pablo	\$2,600,000
2. Riverview Meadow Apartments	Whitefish	\$6,580,000
3. Meadows Senior Apartments	Lewistown	\$2,766,000
4. Courtyard Apartments	Kalispell	\$3,830,000
5. Red Fox Apartments	Billings	\$3,477,000
6. Big Sky Villas	Belgrade	\$2,680,000
7. Timber Meadows	Kalispell	\$6,625,000
8. Stower Commons	Miles City	\$4,850,000
9. Bitterroot Valley Villas	Hamilton	\$3,277,000
10. Little Jon Apartments	Big Fork	\$2,578,000
11. Cascade Ridge Senior Living – Phase 2	Great Falls	\$330,000
12. Rose Park Apartments	Bozeman	\$6,588,000
13. Trapper Peak Apartments	Hamilton	\$2,680,000
14. Aspen Place Phase III	Butte	\$4,727,000
15. Freedom's Path @ Ft. Harrison	Helena	\$6,705,000
16. Polson Landing	Polson	\$6,630,000
17. Missoula Senior	Missoula	\$6,700,000
18. Glasgow Apartments	Glasgow	\$2,589,000
19. Nicole Court Senior Apartments	Stevensville	\$3,430,000
20. North Star Apartments	Wolf Point	\$5,430,000
21. Blackfeet Homes IV	Browning	\$6,671,000
22. River Ridge Apartments	Missoula	\$954,000
23. Gateway Vista	Billings	\$4,323,000
24. Sweetgrass Commons	Missoula	\$1,281,000
25. Southern Lights	Billings	<u>\$3,500,000</u>
Total Requests		\$101,801,000

### 2.3.2 Property Tax Exemption

The second key piece of funding for Polson Landing is the Property Tax Exemption. Based on the Montana Department of Revenue Market Value of our property in Kalispell, this Property Tax Exemption will allow the property to borrow an additional \$265,000 in permanent debt. This is effectively the value of the subsidy to the property. The cost to the City of Polson, based on an estimate of approximately 154.780 city mills is \$5,909. The largest portion of the forgone property tax revenues would have gone to the county and state.

Market Value Per Dwelling Unit	\$ 80,797
Number of Units	35
Total Market Value	<u>\$2,827,894</u>
Current Year Tax Rate	1.35%
Taxable Value	<u>\$38,176.57</u>
Mill Levy (most current available)	597.720
Estimated Property Taxes	<u>\$ 22,819</u>
Projected Mortgage w/o Exemption	\$ 620,000
Projected Mortgage with Exemption	<u>\$ 885,000</u>
Value of Exemption to Project	<u>\$ 265,000</u>
Approximate Mills to City of Polson	169.960
Direct Cost of Exemption to City Polson	\$ 6,488

### 2.3.3 Local Subsidy

The final piece of subsidy for the Polson Landing will be up to the Polson City Commission. As mentioned above, local governments can get creative in what can be done to bring affordable housing to their communities. Local subsidies serve a dual purpose; bringing needed sources to the project and allowing the community to distinguish itself from others applying for affordable Housing Tax Credits.

## 3 Who will be living in Polson Landing?

The HTC program, as well as sound property management principles, requires a great emphasis on tenant qualification and selection.

### 3.1 Qualified Residents

In exchange for the award of HTCs the property owners agree to allow only residents below agreed upon income levels, adjusted for family size, to occupy the unit. This commitment is taken very seriously by building owners, as the consequences for non-compliance are severe. If over income residents are allowed to move in the project will lose its reservation of tax credits.

In our family projects similar to Polson Landing, we often have young single parents who are working entry-level positions in hospitality, retail or other service industry positions. Families with young children are most common. HTC do not allow for transient occupancy, so our residents are often on a steady trajectory towards stability. While it is a given for many, just having a place to call their own that is safe, decent and sanitary is the final step in helping young families to feel secure.

At Polson Landing all ground floor units will be accessible with zero step entries, 36 inch doors, and levered handles throughout. These features make the ground floor units attractive to those with physical disabilities or challenges. Also not uncommon for our family properties are seniors, looking to be done with home and yard maintenance, moving into our apartments. Often time their only resources being social security and whatever equity that had in their home.

### 3.1.1 Income Qualifications

Polson Landing, at the time of application for HTCs, will select the income levels to serve. Below is a chart that details the actual income limits by household size for 2015. The AMI% selected will not change, but the actual limits do as the Area Median Income is adjusted by HUD.

Income Limits Per AMI Set Aside			
AMI for HH Size	60%	50%	40%
1 Person	25,200	21,000	16,800
2 Person	28,800	24,000	19,200
3 Person	32,400	27,000	21,600
4 Person	35,940	29,950	23,960
5 Person	38,820	32,350	25,880
6 Person	41,700	34,750	27,800

When a new tenant applies for a unit, great effort and diligence is put into preparing the Tenant Income Certification, or TIC. The TIC, and associated 3<sup>rd</sup> party back up documentation, is what the State agency reviews to ensure all residents are income qualified.

### 3.2 Rental Rates at Polson Landing

Like the income limits, rental rates for the property are a function of the Area Median Income. The AMI categories are committed to at the time of application. Below is the summary of rents and AMI limits for Polson Landing.

2015 Rental Rates		
Unit Type	Count	Rent
1 Bed - 50% AMI	2	435
1 Bed - 60% AMI	1	480
2 Bed - 40% AMI	3	395
2 Bed - 50% AMI	12	520
2 Bed - 60% AMI	4	650
3 Bed - 40% AMI	2	435
3 Bed - 50% AMI	7	580
3 Bed - 60% AMI	3	730

In addition to the rent, each tenant will sign up directly with the power company for electric service. If they desire, home phone, high speed data and cable television can be purchased directly from the providers.

Included in the tenants' rent are water, sewer, garbage collection, and use of the community room for special events. The monthly rent also includes all services you would expect at a first rate apartment building: maintenance and repairs, grounds services, sidewalk and parking lot snow clearing, and a part time on site leasing and community manager. All residents, regardless of income level or amount of rent paid have access to, and will be able to enjoy, the services included in their rent.

Water, Sewer and Garbage are paid directly to the provider by the building owners.

### 3.3 Misconceptions of Residents of Affordable Housing

We often encounter a misconception of those who live in Affordable Housing properties. Terms like "bad characters" or "those people" have been used to inaccurately and unfairly describe those who live in rent and income restricted properties. We recently reached out to the Kalispell Police Department for some hard evidence. In 2014 the Spring Creek Apartments, a 66 unit HTC project in Kalispell had 99 incidents, or an average of 1.5 incidents per dwelling unit. By comparison, all of Kalispell had 21,655 incidents (excluding officer initiated traffic stops) or 2.31 incidents per dwelling unit. The data does not support the accusations leveled against residents of affordable housing; in fact our property had significantly less incidents per dwelling unit than the city average.

This outcome is the direct result of our professional management company, performing criminal background checks and landlord references on prospective Tenants.

### 3.4 Monitoring for Compliance with Restrictions

A great deal of this HTC program's success can be attributed to the many eyes watching over the properties operations.

The Montana Board of Housing has a staff dedicated to the monitoring of these properties. They review, tenant files annually to ensure units are serving those with incomes at or below the limit and rental rates are in compliance restrictions. Further, regularly scheduled visits to properties verify they are in physical compliance. Physical compliance meaning the site (parking area, sidewalks, landscaping, play equipment), the unit interiors (carpet, paint, fixtures) and all equipment (appliances, smoke detectors, HVAC, plumbing) are in good repair and working order. If non compliance is found, the HTC are not permitted until the necessary repairs have been made.

With great financial interest in making sure there is no interruption in the HTCs, the owners and investors also hire 3<sup>rd</sup> parties to make annual compliance visits to the property.

### 3.5 How long will rent and income restrictions be in place?

The IRS, who the HTC program is administered by at the Federal Level, requires the properties remain affordable for 15 years. However, Montana has placed additional requirements on the projects extending the restriction period to 46 years.

Solid construction using quality materials, diligent management, the funding of Reserves for Replacement enables these properties to have a long useful life. Below are two pictures from our property in Missoula, Union Place. The photo on the left was taken in December 2005, when the property opened; the picture on the right was taken in August 2015. The major difference in the last 10 years; the trees have gotten much bigger! In seriousness, we take great pride in the condition of our properties and strive to keep them looking in top shape.



## 4 Ownership of Polson Landing

The property and improvements will be owned by a single purpose partnership entity, Polson Landing, LLLP. The partnership is made up of a limited partner who specializes in the acquisition and financing of HTC properties and two General Partners. The General Partners will be Hearthstone Group, a regional non-profit

with extensive HTC experience and Housing Solutions. This ownership structure will remain for at least 15 years after construction completion.

Upon the end of 15 years the HTC will have been fully paid to the investor. At that time the non-profit partner and/or Housing Solutions will have an opportunity to purchase the property from the partnership. In the event neither Housing Solutions or the Nonprofit purchase the property; the new ownership will be subject to the same restrictions and monitoring as the original owners.

## 5 City Commission Support of Polson Landing

When I was before you last our time ended with a city council person asking: “What can we do to help?” Your answer to this question will carry the greatest weight in the successful funding of Polson Landing.

For this project we are requesting the following 1) Letter of Support, 2) Sending representative to Helena to speak in favor of Polson to Board of Housing, 3) Support for a reduction in parking requirements, 4) Soft Loan to pay for Impact Fees.

The first two items are easy to do and cost free. In fact, the support of the City Commission, in the form of a letter, is a threshold requirement for HTC applications. Without it the project will be ineligible for HTCs. Sending of a city representative has been very well received and almost become standard procedure for HTC applicants.

Supporting the reduction of the parking requirements, our third request, allows the affordable housing project to purchase less ground and therefore experience less cost. Current Polson zoning code requires two parking stalls per unit. We will request that be reduced to 1.5 stalls per unit as is suggested in the draft form of the new development code. Because of the income restrictions, nearly all of our residents have only one wage earner and therefore one car. A recent survey of our family properties in Kalispell and Missoula found ratio of 1.10 and .98 cars per unit respectively. A parking requirement of 1.5 stalls per unit is reasonable for accommodating tenants and any guests they may have. This project will go through the full variance requirements to formally request this reduction. At this stage we are simply looking for your support of the request, a final approval would be dependent on the outcome of the variance process.

The final request for support is the most important. It not only carries actual dollars with it, but has the power to position Polson as competitively as possible. Our proposed 35 unit apartment project, under current ordinances, will be required to pay approximately \$150,000 in Fire, Sewer, Water and Administrative Impact Fees. Polson Landings is requesting a soft loan to pay for Impact Fees. This arrangement has been palatable for cities as it doesn't require an actual cash investment, but

rather a reduction in income that wasn't present before the project was proposed. If you elected to make a soft loan in the amount of the Impact Fees, the income isn't actually lost, rather, it is deferred until the loan is repaid.

In the development of Affordable Housing the term "Soft Loan" is used to describe a loan where the lender understands the agreed upon payment schedule will be subject to the properties ability to pay. At the end of the loan term, the loan must be repaid. HTC projects are highly leveraged with little cash flow after payments made on the first position bank loan. This is why payments on the soft loan have to be subject to project cash flow.

Below are proposed terms of a Soft Loan for Polson Landing:

Lender:	City of Polson	Borrower:	Polson Landing, LLLP.
Principal Amount:	\$150,000	Annual Rate:	3.00%
Loan Term:	17 Years	Amort Period:	30 years
Annual Payment:	\$7,653	Balloon at Yr 17:	\$81,388+deferred payments

Assuming all payments due under the loan have been deferred, the accumulated interest and principal outstanding on the Soft Loan will be \$211,487 due at the end of the term.

The soft loan and first mortgage are designed to be paid off together after 16 years of operations. Based on current estimates the payoff in year 17 (1yr construction + 16 yr operations) of the first mortgage is \$544,282. The projected value of the project in year 1, with income and rent restrictions in place is \$850,000.

#### Loan Repayments

Project Value at year 17:	\$850,000
Repayment of First Loan:	\$544,282
Repayment of Soft Loan:	<u>\$211,487</u>
Cash to Polson Landing LLLP	\$ 94,231

The soft loan will fully documented with a Promissory Note, Mortgage, and Subordination Agreement; all recorded with the County and secured by the property and improvements.

This year, with 25 applications expected, the Montana Board of Housing will have a difficult decision to make. Who is awarded the limited HTCs and who leaves with nothing. Historically, the Board has been very interested in projects with local community support. Not just with words and letter, but with actual dollars. The Board of Housing sees this as getting more done with their limited dollars. Communities that take advantage of this, putting dollars behind their support, can see a great return when considering the millions of affordable housing dollars in HTCs their support can become..

## 6 About the Developer

Alex Burkhalter has 13 years of experience with the development and operations of affordable housing property using Housing Tax Credits. The first 10 years of his career was with Sparrow Group, where he oversaw the development and operations of 12 projects located in Montana, Wyoming and North Dakota. Following the retirement of Sparrow Group's founder in 2012, Alex formed Housing Solutions LLC and continued developing properties. Since it's founding Housing Solutions LLC has been granted HTC's on four projects, with three of them completed and operating. The fourth is set to break ground this fall. In addition to new projects, Alex performs ownership roles for his former employer Sparrow Group. All totaled, Alex has been instrumental in the creation of 597 affordable rental units at 14 properties. Attached is Alex Burkhalter and Housing Solutions LLC resume.



# HOUSING SOLUTIONS

---

## Firm Summary

*Housing Solutions LLC*, formed in 2012 by Alex Burkhalter, provides planning and development services for affordable housing communities. *Housing Solutions* currently has projects under way in Glendive, MT and Dickinson, ND.

## Alex Burkhalter, HCCP, SCS, C3P

Alex has been involved in the development, construction, and management of affordable housing for more than 10 years. Fifteen projects totaling 597 units in Montana, Wyoming and North Dakota have been completed during Alex's career.

Prior to founding *Housing Solutions*, Alex worked as the Vice President of Development at *Sparrow Group*. During his time at *Sparrow* Alex focused on the development of affordable rental projects using Housing Tax Credits. Alex was responsible for all aspects of property development, including Community Needs Assessment, Site Identification and Negotiation, Project Modeling, Funding Application, 10% Test and Carryover Application, Review and Negotiation of Syndication, Partnership Agreements, Final Cost Certifications, Equity Installments, Permanent Loan Placement, Monthly Operations oversight and Annual Audit oversight. Additionally, Alex served as the first point of contact for all investor and mortgage lender relations.

In 2008, having recognized the substandard performance of the property portfolio, Alex was instrumental in establishing a related party property management group. The newly managed properties saw immediate financial improvements.

Alex believes the combination of his experience with the technical aspect of tax credit property development as well as the relationships made over the last 10 years will allow him to continue to consistently and effectively take a community's desire for affordable housing from dream to reality.

June 2015



# HOUSING SOLUTIONS

## LIHTC Project Experience

Project	Project Information			Project Tasks											
	Location	Type	Units	Year of LIHTC Award	Place In Service	Site Identification	Project Modeling	Application	Carry Over	Equity Terms & Conditions	Final Cost Cert	Equity Installments	Perm Loan Conversion	Monthly Operations Review	Annual Audit & LP Interface
Bridger Peaks Village	Bozeman, MT	Senior	60	2003	2004						XXX	XXX	XXX	XXX	XXX
Union Place	Missoula, MT	Family	30	2004	2005						XXX	XXX	XXX	XXX	XXX
Dickinson Place	Dickinson, ND	Family	48	2004	2006						XXX	XXX	XXX	XXX	XXX
Cottonwood Terrace	Gillette, WY	Senior	51	2004	2006						XXX	XXX	XXX	XXX	XXX
Union Place II	Missoula, MT	Family	33	2006	2007				XXX		XXX	XXX	XXX	XXX	XXX
Stadium Place	Sheridan, WY	Family	48	2006	2007		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Yellow Creek Village	Evanston, WY	Family	48	2006	2008		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Spring Creek Apartments	Kalispell, MT	Family	33	2008	2009		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Cottonwood Terrace 2	Gillette, WY	Senior	50	2008	2009		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Spring Creek 2	Kalispell, MT	Family	33	2009	2011		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Superior Commons	Superior, MT	Family	24	2009	2011		XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Depot Place	Kalispell, MT	Senior	40	2012	2013	XXX	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Aspen Place	Missoula, MT	Senior	36	2013	2014	XXX	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Yellowstone Commons	Glendive, MT	Family	27	2014	2015	XXX	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX
Northern Place	Dickinson, ND	Family	36	2015	2016*	XXX	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX

\* Under Development

Total Family Units 360  
 Total Senior Units 237  
 Total Units 597



**Affordable  
Family Living**



**Unit Mix:**

- ✓ 3: 1 Bedrooms, 1 Bath - 700 sq ft
- ✓ 20: 2 Bedrooms, 2 Bath - 1,000 sq ft
- ✓ 12: 3 Bedrooms, 2 Bath - 1,260 sq ft

**Monthly Rental Rates:**

- ✓ 1 Bedroom - \$435 to \$480
- ✓ 2 Bedroom - \$395 to \$650
- ✓ 3 Bedroom - \$435 to \$730

**Max Family Income:**

- ✓ 1 Person Household - \$16,800-\$25,200
- ✓ 2 Person Household - \$19,200-\$28,800
- ✓ 4 Person Household - \$23,960-\$35,940

**Unit Amenities:**

- ✓ Frost Free Refrigerator
- ✓ Range – Stove/Oven
- ✓ Dishwasher
- ✓ Disposal
- ✓ Microwave
- ✓ Washer Dryer in Unit
- ✓ Air Conditioning
- ✓ Blinds
- ✓ Master Bedroom Ceiling Fan
- ✓ Neutral Paint Colors
- ✓ Hardwood Cabinets
- ✓ Large Closets

**Project Amenities:**

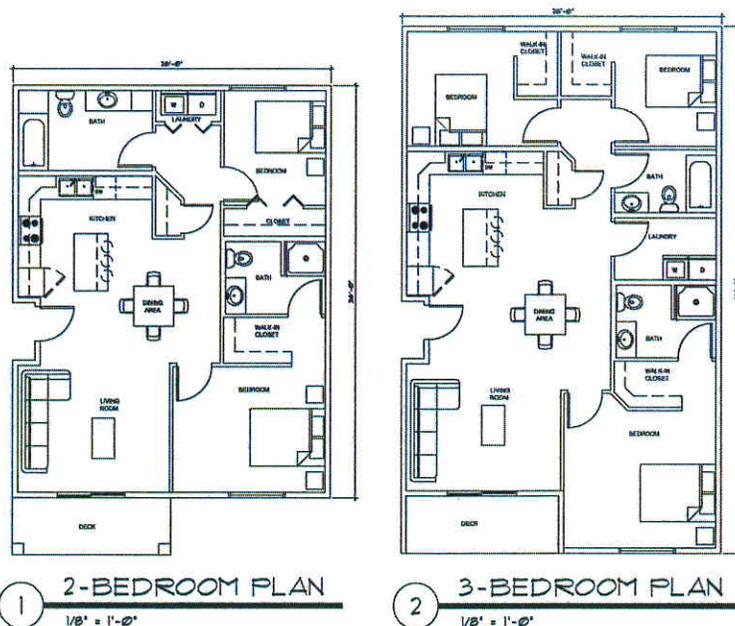
- ✓ On Site Managers Office
- ✓ Community Room w/ Kitchen
- ✓ Covered Parking
- ✓ BBQ Area w/ Tables
- ✓ Kids Play Area

# Polson Landing

POLSON, MONTANA

Polson Landing is designed with luxury and class for working families in Polson and the Mission Valley. The affordable rental property will be conveniently located near the new Mission Valley Aquatic Center, Polson Health Clinic, Polson Soccer Fields and Mackinze River Pizza on Ridgewater Drive. Additionally, grocery, pharmacy and other services as located nearby.

The property will feature 35 one, two and three bedroom apartment homes including covered parking for reasonable prices. This project, financed by the Montana Board of Housing, will be a community asset for long into the future, committing to over 40 year of income and rental restrictions.



September 9, 2015

Mr. Alex Burkhalter  
Housing Solutions LLC  
PO Box 2099  
Missoula MT 59806

RE: Polson Landing  
Proposed Affordable Housing in Polson Montana

Dear Mr. Burkhalter,

We are writing you as evidence of our support for the Polson Landing project. The timing of this could not have been better. We as a commission had been discussing the importance of and need for affordable housing throughout 2015.

Over the last several years Polson has experienced a wave of new development and business. Walmart constructed a brand new super store, Murdoch's moved in, a new Walgreens, two auto parts stores, a MacKenzie River Pizza, and a Red Lion hotel all in the last two years. In addition, the new Polson Heath Clinic has just recently opened its doors.

Our community is also working to position itself as a regional hub for all of Lake County and the US 93 North corridor. The Mission Valley Aquatic Center is now open and grass is coming in on the new Polson Youth Soccer Association's fields. We even have a group working to bring a new indoor hockey rink to town.

With these wonderful new improvements in place our attention has turned to housing. We need safe, decent and affordable housing for all who call Polson home. Your proposed Polson Landing will make a meaningful dent in the need for Very Low to Low Income Housing. Located squarely in the middle of Polson's new growth, your residents will have walking access to shopping, entertainment, recreation and medical service.

The City of Polson is willing to support your project with more than just words, our commission has agreed to a Soft Loan towards the project of approximately \$4,300 per unit or \$150,000. With no State appropriated dollars for multifamily housing the City is willing to stand in the financial gap and make this loan.

Thank you again for your timely work in Polson and we look forward to helping this greatly needed project to completion.

Kindest Regards,

Mayor Heather Knutson

# CITY OF POLSON

## CITY COMMISSION AGENDA ITEM SUMMARY

---

Agenda Item Number: 13

Subject: Approve an Ordinance to Amend Section 2.05.610 of City of Polson Municipal Code

Meeting Date: September 9, 2015

Staff Contact: City Manager Mark Shrives

---

**AGENDA ITEM SUMMARY:** This Agenda Item requests approval of an Ordinance amending Section 2.05.610 of the Municipal Code to clarify that no separate agency is created for Polson Urban Renewal Agency (**Attachment 1**).

**BACKGROUND:** During this year's annual audit, our auditor was asked to conduct a separate audit of the Polson Redevelopment Agency, which was created as part of adopting an urban renewal plan in March 1998. The specific audit findings are attached (Attachment 2)

**ANALYSIS:** Upon review of City documents when the Polson Redevelopment Agency was created, it appeared it was not the intent of the City Council at the time to create a separate agency.

**FINANCIAL CONSIDERATIONS:** None

**STAFF RECOMMENDATION:** Adopt Ordinance to amend section 2.05.510 of the Municipal Code to clarify that no separate agency is created for Polson Urban Renewal

**SUGGESTED MOTION:** *I MOVE TO APPROVE THE FIRST READING OF AN ORDINANCE TO AMEND SECTION 2.05.510 OF THE MUNICIPAL CODE TO CLARIFY THAT NO SEPARATE AGENCY IS CREATED FOR POLSON URBAN RENEWAL*

**ATTACHMENTS:**

1. Ordinance
2. Audit findings specifically finding 2014-2

ORDINANCE # \_\_\_\_\_

**AN ORDINANCE TO AMEND SECTION 2.05.510 TO CLARIFY  
THAT NO SEPARATE AGENCY IS CREATED FOR  
POLSON URBAN RENEWAL**

**WHEREAS,** the City Commission of Polson has been requested by its auditor to clarify its intentions in the creation of the urban renewal board and to define its role in the administration of the urban renewal planning

**WHEREAS,** the Commission has never intended by its actions or statements to create a separate agency for urban renewal and seeks to minimize the costs of the improvements by administering and accounting within the existing departments and personnel of the city;

**WHEREAS,** it appears in the best public interest that the following ordinance be amended to clarify the Commission's intentions for the urban renewal planning of the City of Polson.

**NOW, THEREFORE, BE IT ORDAINED** by the City of Polson that the following section of the Ordinances of the City of Polson be amended:

**Sec. 2.05.510. Creation; powers and duties.**

**The city commission shall by resolution or ordinance create an urban renewal board or economic development district board to exercise any of the powers authorized pursuant to Title 7, Chapter 15, Parts 42 and 43, MCA which are specifically authorized for that board by the city commission. The city elects not to create a separate agency for purposes of administration of these sections and to assign the project powers to the urban renewal board, with final approval by the city commission Furthermore, the financial and accounting functions of the urban renewal process are assigned to the finance department of the City, as authorized by MCA 7-15-4232.**

The clerk is hereby instructed to codify this Ordinance and to place the same in the Book of Ordinances of the City of Polson.

Date: \_\_\_\_\_

First Reading:     \_\_\_ayes     \_\_\_nays     \_\_\_abstentions

Date: \_\_\_\_\_

Second Reading:   \_\_\_ayes     \_\_\_nays     \_\_\_abstentions

Effective Date:    \_\_\_\_\_

\_\_\_\_\_  
Heather Knutson, Mayor

Attest:

\_\_\_\_\_  
Cora E. Pritt, City Clerk

# CITY OF POLSON

## CITY COMMISSION AGENDA ITEM SUMMARY

---

Agenda Item Number: 15 (Motion) Approve Application for TSEP Technical Assistance Grant Application and Approve Required Resolution That Must Accompany Grant Application.

Meeting Date: September 9, 2015

Staff Contact: Mark Shrives

---

**AGENDA ITEM SUMMARY:** Approve Application for TSEP Technical Assistance Grant Application and Approve Required Resolution That Must Accompany Grant Application.

**BACKGROUND:** With the completion of the Downtown Water Looping Project, we have almost completed all items that were identified in the last water model that was completed in the City (almost 10 years ago). In preparation to conduct water model (specifically an Engineering Report); the City has submitted an application for a DNRC Technical Assistance Program Grant for \$10,000. These grants can be used as a planning grant for infrastructure projects such as preparation of a PER (for TSEP and DNRC) or a more abbreviated "technical study" that would satisfy only DNRC's requirements.

Running concurrently with the DNRC program are TSEP Technical Assistance Grants. Attachment 1 is the proposed application that will be submitted requesting \$15,000 from the TSEP program. When the application is submitted, it must be accompanied by a resolution authorizing submission of the TA grant to TSEP. (Attachment 2)

**ANALYSIS:** Based on the need to plan for the future of the City infrastructure and with the opportunity to procure grant dollars up to \$25,000, it is prudent to submit these applications. In this year's City Budget we have also identified \$30,000 as local reserves to add to any grant funds received. It is estimated that a PER can cost up to \$55,000.

If successful receiving grant funds, the City will then develop an RFP to procure an engineer for the project.

**FINANCIAL CONSIDERATIONS:** Potential grant awards of \$10,000 from DNRC, potential award of \$15,000 from TSEP and \$30,000 of local funds.

**STAFF RECOMMENDATION** Approve TSEP application submittal and pass attached resolution authorizing submission of TSEP Grant Application

**SUGGESTED MOTION:** *I move to approve a resolution authorizing submission of a TSEP Planning Grant Application*

**ATTACHMENTS:**

1. TSEP Infrastructure Planning Grant Application
2. Resolution

**Resolution No.[ ]**  
**Authorization to Submit TSEP Planning Grant Application**

WHEREAS, the City of Polson is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to prepare a water system Preliminary Engineering Report;

WHEREAS, the City of Polson has the legal jurisdiction and authority to construct, finance, operate, and maintain its public drinking water supply system;

WHEREAS, the City of Polson agrees to comply with all State laws and regulations and the requirements described in the TSEP Application & Administration Guidelines for Infrastructure Planning Grants specifically, and those that will be described in the TSEP Project Administration Manual generally;

WHEREAS the City of Polson commits to provide the amount of matching funds as proposed in the TSEP application; and

That Mark Shrives, City Manager, is authorized to submit this application to the Montana Department of Commerce, on behalf of the City of Polson, to act on its behalf and to provide such additional information as may be required.

Signed: \_\_\_\_\_

Name: Heather Knutson

Title: Mayor

Date: \_\_\_\_\_

Attested: \_\_\_\_\_

## APPENDIX A

### TSEP INFRASTRUCTURE PLANNING GRANT APPLICATION FORM

#### **Applicant Information:**

1. **Name** of Applicant: City of Polson, Montana
2. **Type** of Governmental Entity: Incorporated Municipality  
(Incorporated Municipality, County, Tribal Government, County Water/Sewer District, Solid Waste District, etc.)
3. **Federal** Tax Identification Number: 81-6001301
4. **Primary** Contact Person: Mark Shrives  
  
Title: City Manager  
  
Applicant: City of Polson, Montana  
  
Street/P.O. Box: 106 1st Street E.  
  
City/State/Zip: Polson, MT 59860-2137  
  
Telephone/Fax Numbers: (406)883-8207  
  
Email address: citymanager@cityofpolson.com

#### **Type of Grant Applied For (check one):**

- Preliminary Engineering Report (PER)  
 Capital Improvements Plan (CIP)  
 Other (Documentation of Commerce approval required)

Attachment (

**Proposed Budget:**

	SOURCE: <i>TSEP Grant</i>	SOURCE:	SOURCE:	TOTAL
Professional Services	\$15,000	\$10,000	\$30,000	\$55,000
Other Services				

**Proposed Implementation Schedule:**

**Estimated Start Date of Infrastructure Planning:** December, 2015

**Estimated Completion Date of Infrastructure Planning:** June 2016

Attach a proposed implementation schedule. This schedule should include the major milestones including field activities, draft report preparation and review, and final report preparation and submittal (see Attachment I).

**Proposed Project Narrative:**

For an infrastructure planning grant that is to be used to prepare a preliminary engineering report, provide a description of the project that is being proposed for construction after the preliminary engineering is completed (use separate sheets if there is a check mark), and the proposed activities and work schedule in completing the preliminary engineering:

1. The type of project: Comprehensive Preliminary Engineering Report and Modeling for Public Water System: Source, Storage, Treatment, Distribution and Controls.
2. The project location (using maps & text):
3. A brief history of the system, and its known or presumed deficiencies:
4. Any related compliance issues:
5. A brief description of alternatives that are being considered at the time of this application:
6. Activities that will take place (including the process to be used to procure an engineer) and products produced:

For capital improvement plans provide a brief description of the plan that is being proposed and the types of infrastructure that will be evaluated and planned for. The CIP must be comprehensive and should identify the current and future infrastructure needs of the jurisdiction. Include a proposed work plan and a proposed table of contents.

**Required Attachments:**

- Documentation showing the legal creation of the district (if a County Water and Sewer District);
- Documentation (i.e. resolution or formal letter) showing the commitment of matching funds; and
- Proposed implementation schedule (Attachment I).

**Authorizing Statement:**

I hereby declare that the information included in, and all attachments to, this application is true, complete, and accurate to the best of my knowledge. I further declare that, on behalf of (Insert Name of Applicant), I am legally authorized to enter into an agreement with the Montana Department of Commerce if a TSEP grant is awarded.

- 1) I further declare that if a TSEP grant is awarded, and if that grant is to be used to prepare a preliminary engineering report, then the PER will follow the format that meets the requirements of the *Uniform Preliminary Engineering Report for Montana Public Facility Projects* outline and will include a completed Environmental Checklist.
- 2) Or, if that grant is to be used to prepare a Capital Improvements Plan (CIP), then the CIP will be comprehensive and in accordance with criteria acceptable to Commerce.

I understand that Commerce will only review the final PER in an attempt to ensure that the information presented in the PER meets the basic requirements of the *Uniform Preliminary Engineering Report for Montana Public Facility Projects* outline, and that Commerce will not certify the quality of the PER. I further understand that the review and approval of the content of the PER by Commerce does not guarantee that a subsequent application to TSEP for a construction project would result in the maximum number of points being assigned in the scoring of the engineering problem or design during the TSEP ranking process.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Title**

**ATTACHMENT I**

**IMPLEMENTATION SCHEDULE**

<b>TASK</b>	<b>MONTH / YEAR</b>
<b>ADVERTISEMENT FOR PROFESSIONAL SERVICES</b>	
Publish RFP	September 2015
Select firm	November 2015
Execute agreement with firm	December 2015
<b>MAJOR ACTIVITIES/MILESTONES</b>	
Collect water system data	January - April 2016
Update and calibrate hydraulic water model	January - April 2016
Prepare Preliminary Engineering Report Draft - submit to TSEP	April 2016
Submit Final PER to TSEP	May 2016
Submit project updates and periodic requests for disbursement	January - June 2016
Final TSEP TA grant close-out	June 2016
<b>TSEP Drawdowns</b>	
Submit draft report and request first drawdown of funds	April 2016
Submit final report and request final drawdown of funds	June 2016

**City of Polson**  
**TSEP Technical Assistance Grant**  
**Item #3 – System History**

---

The City of Polson is located in western Montana in Lake County at the southern end of Flathead Lake, along US Highway 93. Please refer to the map included under Item #2 for the general location of the City.

The City of Polson manages a relatively complex water system which utilizes a system of groundwater wells, storage reservoirs and pressure-reducing valves to supply water to three primary pressure zones which serve the City. As of September 2015, the City drinking water system includes the following components:

- Eight water supply wells:

<b>WELL</b>	<b>DATE CONSTRUCTED</b>	<b>CAPACITY (GPM)</b>
1	1969	0 (not used)
2	1960	400
3	1976	500
4	2000	120
5	2000	60 (not used)
6	2000	425
7	2001	425
8	2015	450*
Total Capacity		2,320

\*- estimated capacity – not tested yet.

- Seven water storage tanks in three separate pressure zones:

<b>Pressure Zone</b>	<b>Tank Names</b>	<b>Elevation</b>	<b>Volume (gallons)</b>	<b>Wells Served</b>
Lower	Hillcrest	3,092	500,000	#1, #4, #5
West Shore*	West Shore	3,125	1,000,000	#6, #7
Middle	Hillside	3,190	500,000	#2, #3
	Woodbine	3,190	500,000	
	Clearview	3,190	500,000	
Upper	Skyline Steel	3,437	500,000	
	Skyline Concrete	3,437	500,000	

\*- interim pressure zone

In 2004 the City developed a new groundwater source (West Shore) and connected it to the City's system through a 12" PVC and 14" fused polyethylene water line under the Hwy. 93 bridge. Upon completion of this work, the City's public works department chose to evaluate in detail the water system to assess capacity and hydraulic constraints to insure that the system meets existing demands and future growth-based needs. In 2006, the City updated its water model in an effort to evaluate the entire water system, identify needs and derive viable options to address technical and financial concerns through preparation of a PER. The outcome of this planning work in 2006 was a PER that provided recommendations to address critical needs associated with replacement of the aging Hillcrest tanks and addition of 500,000 gallons of additional storage at the highest pressure zone – Skyline. The City sought grant assistance for

**City of Polson**  
**TSEP Technical Assistance Grant**  
**Item #3 – System History**

---

the work on the storage tanks through applications to the TSEP and DNRC-RRGL grant programs. These grant applications were successful and construction to replace the 500,000 gallon Hillside storage tank and to construct a second 500,000 gallon storage concrete tank near the existing Skyline tank was completed in 2011. The City has implemented an ongoing process of improvements to the water system with the most recent work including: upgrading over a mile of distribution piping in the Downtown area (2015); drilling a new supply well east of the City (2015); rehabilitating a 500,000 steel storage tank (2012); two new 500,000 gallon concrete storage tanks at Hillcrest and Skyline (2011); new SCADA for the entire water system (2010); and a pipeline connection between the Skyline (Upper) and Woodbine (Middle) pressure systems (2013). While the work completed to date has addressed the highest priority projects identified in the 2006 and 2012 PER's, several more "high priority" needs remain and the City is committed to updating/calibrating its water model to reflect all of the recent improvements. Preparing a new PER will allow the City to identify and prioritize its remaining needs and apply for funding in 2016 to implement the last few critical needs projects.

The following issues will be addressed in the proposed Preliminary Engineering Report:

- Water Supply
- Storage
- Fire Protection
- Distribution System Capacity and Needs
- Water Supply
- Unaccounted for Water

The planning period for the proposed PER will extend from 2016 to 2036.

**City of Polson**  
**TSEP Technical Assistance Grant**  
**Item #4 – Compliance Issues**

---

There are currently no compliance actions against the City of Polson with regard to the Safe Drinking Water Act or Montana Public Water Supply Act.

Minor non-compliance issues exist with regard to current day design standards outlined in MDEQ Circular 1. There are no actionable issues for not meeting DEQ-1.

**City of Polson**  
**TSEP Technical Assistance Grant**  
**Item #5 – Alternatives Being Considered**

---

Currently the City is only anticipating the update and calibration of its computerized water model in order to identify system needs. If the model reveals any source, storage, distribution or fire-flow needs, they will be addressed in the PER. The analysis will include a net present worth; socio-economic; environmental and operational. Some of the un-resolved needs from the 2012 PER effort include:

- 4<sup>th</sup> Avenue Watermain: upsizing and extension of the watermain toward the west on 4<sup>th</sup> Avenue. Previous modeling showed that this will provide increased flows for fire protection at critical structures in the Lower pressure zone. Alternatives being considered are replacement with C900 PVC, fused HDPE or ductile iron.
- Hillside Tank: The only remaining steel storage tank in the City's middle pressure zone has experienced a significant structural failure in its roof as well as moderate structural failure in its floor resulting from subgrade stability problems. Alternatives being considered are: rehabilitation of the existing steel tank; replacement with an exposed bolted steel tank; replacement with a buried concrete tank.
- Looping Projects: installing pipe infrastructure to eliminate dead-end mains at Irvine Flats, Wal-Mart and 7<sup>th</sup> Avenue – providing improved system hydraulics, water quality and operability. Alternatives being considered are installation of C900 PVC, fused HDPE or ductile iron to close the identified loops.
- East Well: a new production well was drilled in August 2015. In order to place the well into production, the City will need to design a wellhouse, emergency generation, disinfection, piping connections and controls. Alternatives being considered are: stick-frame vs. CMU building; sodium hypochlorite vs. MiOx disinfection; various fuel type generators.

**City of Polson**  
**TSEP Technical Assistance Grant**  
**Item #6 – Activities and Milestones to be Achieved**

---

The planning activities to be implemented by the City of Polson under the proposed TSEP Technical Assistance Grant are as follows:

1. Conduct Engineering Procurement in compliance with Title 18, Chapter 8 of Montana Code Annotated – November 2015. Select and contract with a qualified Engineering firm in December, 2015.
2. Collect and compile necessary data on: water system performance; usage rates, water production vs. metered water volumes; user charges, enterprise fund expenditures; power costs; SCADA, water rights. The purpose is to characterize system performance and assure that the PER is based on the most recent and representative data. January thru April 2016.
3. Update and calibrate the City's computerized water model (in WaterCAD format). The effort will require identifying new features that have been added to the system since its last update in 2006; insert the most recent usage figures and design demand for 2036; flow test at least 2 hydrants in each zone to calibrate the model. This activity will take place during the winter of 2015-16. January thru April 2016.
4. Prepare a Preliminary Engineering Report in accordance with the accepted outline adopted by WASACT. January thru June 2016. Submit draft to TSEP in April 2016. Submit final PER along with a Public Utilities TSEP grant application in May 2016.
5. Submit necessary project updates to the funding agencies as well as periodic grant draw requests to TSEP to offset costs of PER and water modeling.
6. Final grant close out June 2016.

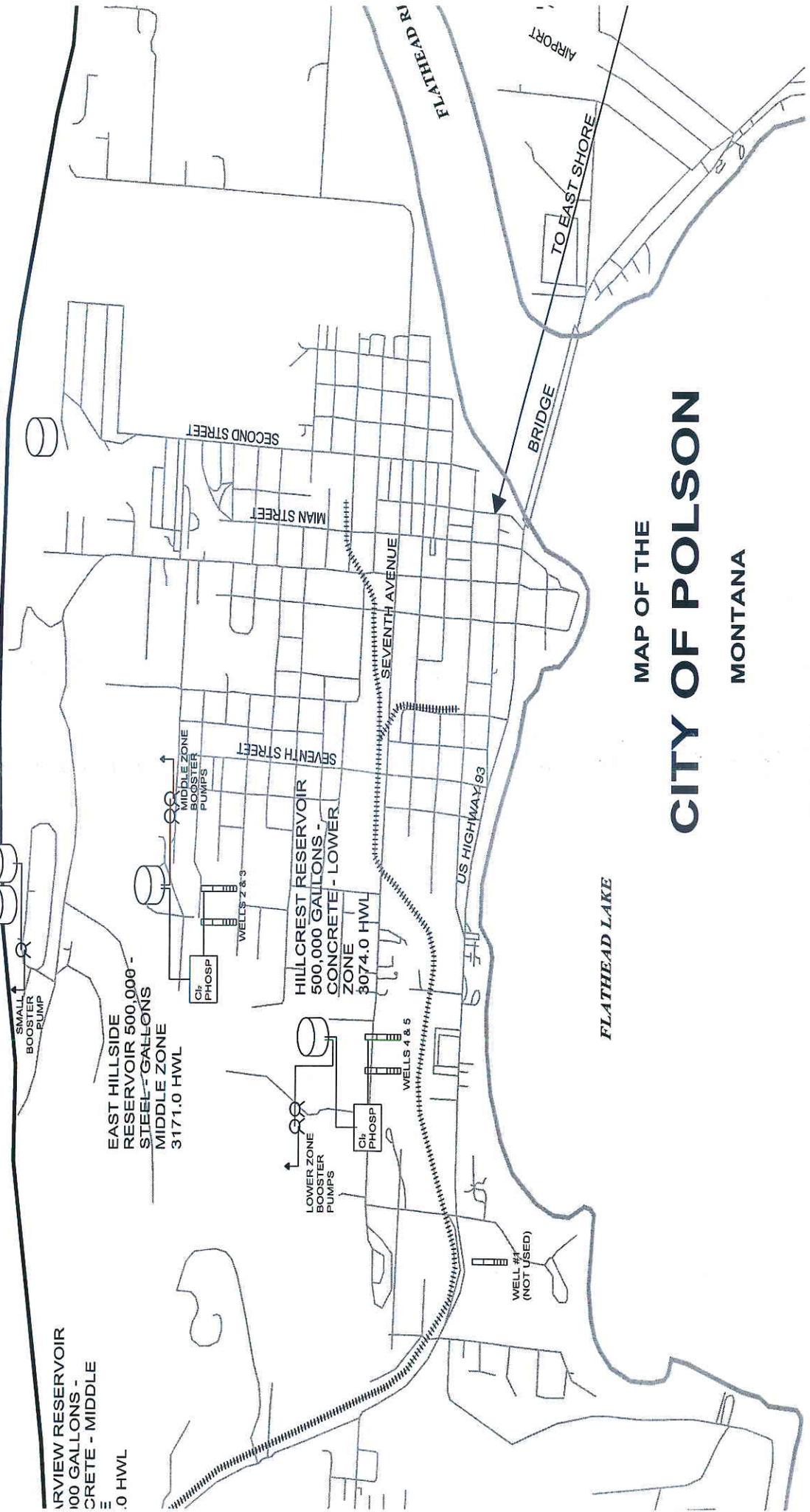
WOODBINE RESERVOIR  
 500,000 GALLONS -  
 CONCRETE - MIDDLE  
 ZONE  
 3171.0 HWL

SKYLINE RESERVOIRS  
 500,000 GALLONS EACH  
 UPPER ZONE  
 2 TANKS @ 3445.0 HWL  
 # 1 - STEEL  
 # 2 - CONCRETE

EAST HILLSIDE  
 RESERVOIR 500,000 -  
 STEEL - GALLONS  
 MIDDLE ZONE  
 3171.0 HWL

HILLCREST RESERVOIR  
 500,000 GALLONS -  
 CONCRETE - LOWER  
 ZONE  
 3074.0 HWL

IRVIEW RESERVOIR  
 100 GALLONS -  
 CRETE - MIDDLE  
 ZONE  
 3171.0 HWL



MAP OF THE  
**CITY OF POLSON**  
 MONTANA



**Resolution No.[ ]**  
**Authorization to Submit TSEP Planning Grant Application**

WHEREAS, the City of Polson is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to prepare a water system Preliminary Engineering Report;

WHEREAS, the City of Polson has the legal jurisdiction and authority to construct, finance, operate, and maintain its public drinking water supply system;

WHEREAS, the City of Polson agrees to comply with all State laws and regulations and the requirements described in the TSEP Application & Administration Guidelines for Infrastructure Planning Grants specifically, and those that will be described in the TSEP Project Administration Manual generally;

WHEREAS the City of Polson commits to provide the amount of matching funds as proposed in the TSEP application; and

That Mark Shrives, City Manager, is authorized to submit this application to the Montana Department of Commerce, on behalf of the City of Polson, to act on its behalf and to provide such additional information as may be required.

Signed: \_\_\_\_\_

Name: Heather Knutson

Title: Mayor

Date: \_\_\_\_\_

Attested: \_\_\_\_\_

*Attachment 2*

# CITY OF POLSON

## CITY COMMISSION AGENDA ITEM SUMMARY

---

Agenda Item Number: 16 (MOTION REQUESTED) Wastewater Treatment Lagoon –  
Cell #1 Biosolids Removal Project- Recommendation for Award  
Meeting Date: September 9, 2015  
Staff Contact: Tony Porrazzo/Mark Shrives

---

AGENDA ITEM SUMMARY: Award of Bid for Biosolids Removal Project.

BACKGROUND: As a part of the wastewater treatment plant project, and in preparation for design to begin, one of the first items to be completed is the removal of the biosolids from Lagoon Cell #1. The City advertised for bid for this project and bids were opened on September 3, 2015. Two Bids were received.

ANALYSIS: Please see letter from Project Engineer Kevin Johnson (Attachment 1)

FINANCIAL CONSIDERATIONS: Bid from Sandry Construction - \$88,500.00

STAFF RECOMMENDATION: To award the Biosolids Removal Project to Sandry Construction

SUGGESTED MOTION: *I move to award the bid for the Wastewater Treatment Lagoon – Cell #1 Biosolids Removal Project to Sandry Construction. Amount of Bid is \$88,500.00. Award is contingent pending final approval of funding agencies and completion of reference check. Authorization is given to the City Manager to execute all necessary contracts.*

ATTACHMENTS:

1. Letter from Project Engineer Kevin Johnson



September 4, 2015

Mr. Tony Porrazzo  
City of Polson  
106 First Street East  
Polson, MT 59860

Subject: Wastewater Treatment Lagoon – Cell #1 Biosolids Removal Project –  
Recommendation for Award

Dear Mr. Porrazzo:

The purpose of this correspondence is to present the outcome of the bids on September 3, 2015 for the above-referenced project. Two bids were received as indicated in the table below. Both bids were deemed responsive, having submitted the required information.

<i>BIDDER</i>	<i>DOLLAR AMOUNT</i>
<i>Bjorn Johnson Construction</i>	<i>\$148,000.00</i>
<i>Sandry Construction</i>	<i>\$88,500.00</i>

The low bid is within reasonable range of the estimated costs (\$75k - \$100k) and preliminary quotes received in anticipation of this project. The criteria for award of the project are contained in the Section 00200 Instructions to Bidders. Upon our review, Sandry Construction has met the requirements of the lowest, responsive and responsible, bidder. We have contacted several project references provided with the bid submittal information and received favorable reviews. A brief summary of these reference checks is attached. We have also contacted Sandry Construction to discuss their bid and they have indicated they would accept an award for the amount of their bid.

Based upon this evaluation we recommend the City award the contract in the amount of \$88,500. At the City's discretion we request the City consider this recommendation in consultation with the City's legal counsel.

Please find attached, a Notice of Award to Sandry Construction in the amount of **\$88,500** that will require the City's approval. Once DOWL receives a signed copy of this Notice of Award from the City, we will forward the Notice of Award and six original copies of the construction contract to Sandry Construction for their execution and return along with the required bonds and insurance documents.

*Attachment 1  
Pg 1 of 3*

Sincerely,



DOWL

Kevin R. Johnson, P.E.  
Project Manager

Attachment(s):      Reference Check Summary  
                             Notice of Award – For Execution

cc: File

Pg 2 of 3



### Sandry Construction – Reference Checks

Dry Prairie Rural Water Authority – Plentywood, MT (\$5,000,000)  
Troy Sprabley (sp); (406) 787-7652

Sandry Construction completed the 14-inch and 4-inch pipe installation project (\$5,000,000) in a timely manner, provided adequate staff and equipment throughout, and had no more issues that what would be expected on a project of this size related to pipe pressure testing, minor trench settlement, etc. They have addressed minor warranty work items adequately. Quality of the work was acceptable.

Flathead County Solid Waste Phase IV-B; Kalispell (\$1,500,000)  
Jim Gailton (406) 758-5773

Sandry completed good work at the landfill and no complaints on performance, etc. Overall good reference.

North Central MT Regional Water; Conrad, MT (\$2,000,000)  
James Slayton (406) 447-3349

Water – 14 miles of pipe, tank and building. Overall good job. Not real great coordination with subs. On time, no significant issues. Addressing warranty issues as needed (seeding). No hesitation to recommend working with Sandry.

Bank Reference – First Interstate (Scott Meisner – (406)756-5295))  
Verified contractor is in good standing.

Birch Point Lift Station, Whitefish, MT (\$400,000)  
Doug Peppemeir (406) 751-5246  
Called & left message.