

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**Town of Stevensville**

*June 30, 2010*

# Town of Stevensville

June 30, 2010

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GALUSHA  
HIGGINS  
& GALUSHA PC  
EST. 1919

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Stevensville, Montana

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stevensville, Montana (Town), as of and for the year ended June 30, 2010, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The Town did not maintain adequate accounting records. We were unable to satisfy ourselves by other auditing procedures and obtain appropriate audit evidence to support the financial statements of the Town of Stevensville. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect to the financial statements.

### ***Disclaimer of Opinions***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinions. Accordingly, we do not express any opinions on these financial statements.

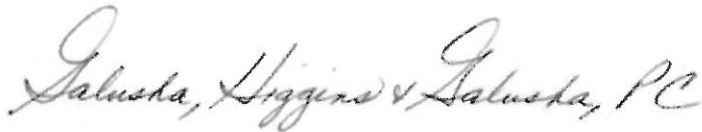
***Other Matters***

***Required Supplementary Information***

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014 on our consideration of the Town of Stevensville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



GALUSHA, HIGGINS & GALUSHA, PC  
Certified Public Accountants and Advisors

Helena, Montana  
February 21, 2014

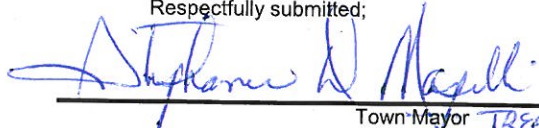
**Town of Stevensville  
ELECTED OFFICIALS/OFFICERS**

OFFICE	NAME OF COUNTY OFFICIALS/OFFICERS	DATE TERM EXPIRES
Commissioner (Chairperson)		
Commissioner		
Commissioner		
Assessor		
Attorney		
Auditor		
Treasurer		
Clerk and recorder		
Clerk of district court		
Coroner		
Justice of the peace		
Justice of the peace		
Public administrator		
School superintendent		
Sheriff		
Budget Director		
Election Administrator		

OFFICE	NAME OF CITY/TOWN OFFICIALS/OFFICERS	DATE TERM EXPIRES
Mayor	Lewis Barnett	12/31/2013
Councilperson/Commissioner	Pat Groninger	12/31/2012
Councilperson/Commissioner	Clayton Floyd, JR	12/31/2012
Councilperson/Commissioner	Robin Holcomb	12/31/2013
Councilperson/Commissioner	Desera Towle	12/31/2013
Councilperson/Commissioner		
Councilperson/Commissioner		
Councilperson/Commissioner		
Councilperson/Commissioner		
City manager		
Attorney	Keithi Worthington	
Chief of police	James Marble	
Clerk	Roni Kimp	
Deputy Clerk	Denise Philley	
Finance Director		
Police Judge	Barbara Kohn	
Treasurer		
Utility billing/collection clerk	Denise Philley	

In accordance with State law, I hereby transmit the  
Town of Stevensville  
Annual Financial Report for the fiscal year ended  
June 30, 2010

Respectfully submitted;

  
\_\_\_\_\_  
Town Mayor *TREASURER*

04/11/13  
\_\_\_\_\_  
Date

**TOWN OF STEVENSVILLE**  
**STATEMENT OF NET ASSETS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS</b>					
Cash and cash equivalents	524,439.17	410,598.34	935,037.51		
Investments	0.00	0.00	0.00		
Petty Cash	100.00	150.00	250.00		
Restricted Assets:					
Cash and cash equivalents	0.00	281,127.05	281,127.05		
Investments (at fair value)	0.00	0.00	0.00		
Taxes/Assessments Receivable - (net of allowance for uncollectibles)	36,701.54	0.00	36,701.54		
Accounts/other receivables - (net of allowance for uncollectibles)	1,880.00	144,700.10	146,580.10		
Internal Balances	0.00	0.00	0.00		
Due from other governments	0.00	0.00	0.00		
Advances to other funds/Internal Bal	0.00	0.00	0.00		
Prepaid expense	0.00	0.00	0.00		
Inventories	0.00	0.00	0.00		
Other debits	0.00	0.00	0.00		
Capital assets not being depreciated					
Land	2,707.00	663,197.69	665,904.69		
Construction in progress	0.00	128,683.06	128,683.06		
Capital assets being depreciated (net of accumulated depreciation)	254,912.80	4,649,109.09	4,904,021.89		
<b>Total Assets</b>	<b>820,740.51</b>	<b>6,277,565.33</b>	<b>7,098,305.84</b>	<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	3,948.40	590.53	4,538.93		
Matured bonds and interest payable	0.00	29,060.00	29,060.00		
Due to other funds/Close to Int Bal	0.00	0.00	0.00		
Due to other governments	0.00	330.00	330.00		
Deferred revenue	0.00	0.00	0.00		
Contracts/Loans/Notes Payable	0.00	8,485.00	8,485.00		
Advances from other funds/Internal Balances	0.00	0.00	0.00		
Noncurrent liabilities:					
Due within one year	21,558.92	37,328.55	58,887.47		
Due in more than one year	16,939.16	1,875,047.38	1,891,986.54		
<b>Total Liabilities</b>	<b>42,446.48</b>	<b>1,950,841.46</b>	<b>1,993,287.94</b>	<b>0.00</b>	<b>0.00</b>
<b>NET ASSETS</b>					
Invested in Capital assets, net of related debt	257,619.80	3,557,727.03	3,815,346.83		
Restricted for:					
Debt Service	0.00		0.00		
Bond Indenture Requirements		172,188.00	172,188.00		
Public Works	235,808.57		235,808.57		
Public Safety	20,254.51		20,254.51		
Public Health			0.00		
Community Development	49,018.14		49,018.14		
General Government	25,304.14		25,304.14		
Unrestricted	190,288.87	596,808.84	787,097.71		
<b>Total Net Assets</b>	<b>778,294.03</b>	<b>4,326,723.87</b>	<b>5,105,017.90</b>	<b>0.00</b>	<b>0.00</b>
Balance check (should equal zero):	0.00	0.00	0.00		

**TOWN OF STEVENSVILLE**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Primary Government Business-type Activities	Net (Expense) Revenue and Changes in Net Assets		Component Units
		Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Capital Grants and Contributions			Total		
<b>Primary government:</b>									
Governmental activities:									
General government	176,084.03	14,456.72	0.00	0.00	(161,627.31)		(161,627.31)		
Public safety	235,212.47	56,336.38	22,587.50	34,188.78	(122,099.81)		(122,099.81)		
Public works	117,920.00	26,454.62	36,068.28	0.00	(56,397.10)		(56,397.10)		
Public health	14.31	0.00	0.00	0.00	(14.31)		(14.31)		
Social and economic services	0.00	0.00	0.00	0.00	0.00		0.00		
Culture and recreation	31,949.15	12,459.88	0.00	0.00	(19,489.27)		(19,489.27)		
Housing/Community Development	0.00	25,180.00	13,281.25	0.00	38,461.25		38,461.25		
Conservation of Natural Resources	0.00	0.00	2,610.00	0.00	2,610.00		2,610.00		
Interest on long-term debt	0.00	0.00	0.00	0.00	0.00		0.00		
Miscellaneous	0.00	0.00	0.00	0.00	0.00		0.00		
Unallocated costs	13,751.19	0.00	0.00	0.00	(13,751.19)		(13,751.19)		
<b>Total governmental activities</b>	<b>574,931.15</b>	<b>133,887.60</b>	<b>74,847.03</b>	<b>34,188.78</b>	<b>(332,307.74)</b>		<b>(332,307.74)</b>		
Business-type activities:									
Hospital									
Water	364,128.25	230,916.54	0.00	0.00	(133,211.71)		(133,211.71)		
Sewer	423,617.39	363,856.52	0.00	0.00	(59,760.87)		(59,760.87)		
Airport									
Gas/Electric	174,961.65	50,557.40	0.00	216,322.00	91,917.75		91,917.75		
<b>Total business-type activities</b>	<b>962,707.29</b>	<b>645,330.46</b>	<b>0.00</b>	<b>216,322.00</b>	<b>(101,054.83)</b>		<b>(101,054.83)</b>		
<b>Total primary government</b>	<b>1,537,638.44</b>	<b>779,218.06</b>	<b>74,847.03</b>	<b>250,510.78</b>	<b>(332,307.74)</b>	<b>(101,054.83)</b>	<b>(433,362.57)</b>		
Component Units:									
<b>Total component units</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			<b>0.00</b>	<b>0.00</b>	
General revenues:									
Property taxes					272,237.40	0.00	272,237.40	0.00	
Local option taxes					43,769.99	0.00	43,769.99	0.00	
Licenses and permits					1,215.00	0.00	1,215.00	0.00	
Unrestricted Federal/State shared revenues					156,606.48	0.00	156,606.48	0.00	
Unrestricted grants and contributions					0.00	15,192.35	9,326.73	0.00	
Unrestricted investment earnings					(5,865.62)	0.00	1,440.00	0.00	
Miscellaneous					1,440.00	0.00	0.00	0.00	
Gain on sale of capital assets					0.00	0.00	0.00	0.00	
Transfers					0.00	0.00	0.00	0.00	
<b>Total general revenues and transfers</b>					<b>469,403.25</b>	<b>15,192.35</b>	<b>484,595.60</b>	<b>0.00</b>	
Change in net assets					137,095.51	(35,862.48)	51,233.03	0.00	
Total net assets - July 1, 2009 as previously reported					641,198.52	4,412,586.35	5,053,784.87	0.00	
Prior period adjustments					0.00	0.00	0.00	0.00	
Total net assets - July 1, 2009 as restated					<b>641,198.52</b>	<b>4,412,586.35</b>	<b>5,053,784.87</b>	<b>0.00</b>	
Total net assets - June 30, 2010					<b>778,294.03</b>	<b>4,326,723.87</b>	<b>5,105,017.90</b>	<b>0.00</b>	

**TOWN OF STEVENSVILLE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	General	Major Funds	
			Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
101000	Cash and cash equivalents	157,489.67	366,939.50	524,439.17
103000	Petty cash	100.00	0.00	100.00
101100	Investments		0.00	0.00
Restricted Assets:				
102200	Cash and cash equivalents		0.00	0.00
102300	Investments		0.00	0.00
106000	Valuation of investments to fair value		0.00	0.00
110000	Tax/assessment receivable (net of allowance for uncollectibles)	35,754.81	946.73	36,701.54
120000	Accounts/other receivables - (net of allowance for uncollectibles)		1,880.00	1,880.00
131000	Due from other funds		0.00	0.00
132000	Due from other governments		0.00	0.00
133000	Advances to other funds		0.00	0.00
140000	Prepaid expense		0.00	0.00
150000	Inventories		0.00	0.00
170000	Other debits		0.00	0.00
<b>Total Assets</b>		<b>193,354.48</b>	<b>0.00</b>	<b>369,766.23</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
201000	Warrants payable		0.00	0.00
202100	Accounts payable	3,948.40	0.00	3,948.40
203100	Judgments payable		0.00	0.00
204000	Contracts/loans/notes payable		0.00	0.00
205200	Matured interest payable		0.00	0.00
206100	Other accrued payables		0.00	0.00
211000	Due to other funds		0.00	0.00
212000	Due to other governments		0.00	0.00
214000	Deposits payable		0.00	0.00
220000	Deferred revenue	35,754.81	946.73	36,701.54
233000	Advances from other funds		0.00	0.00
<b>Total Liabilities</b>		<b>39,703.21</b>	<b>0.00</b>	<b>40,649.94</b>
Fund balances:				
250XXX to 260XXX	Reserved for:			
	Debt service		0.00	0.00
	Special revenue		0.00	0.00
	Capital projects		0.00	0.00
	Other		0.00	0.00
Unreserved, reported in:				
271000	General fund	153,651.27		153,651.27
271000	Special revenue funds		317,217.45	317,217.45
271000	Capital projects funds		51,602.05	51,602.05
271000	Permanent funds		0.00	0.00
<b>Total fund balances</b>		<b>153,651.27</b>	<b>0.00</b>	<b>368,819.50</b>
<b>Total liabilities and fund balances</b>		<b>193,354.48</b>	<b>0.00</b>	<b>369,766.23</b>
<i>Balance check (Should equal zero)</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				257,619.80
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.				36,701.54
Internal service funds are used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets.				
Current assets				0.00
Accounts payable				0.00
Net amount allocated to business-type/external activities				0.00
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(38,498.08)
<b>Net assets of governmental activities</b>				<b>778,294.03</b>



**TOWN OF STEVENSVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
310000/				
363000	Taxes/assessments	245,451.42	19,122.17	264,573.59
320000	Licenses and permits	5,386.06	17,650.00	23,036.06
330000	Intergovernmental revenues	170,927.48	94,414.81	265,342.29
340000	Charges for services	27,309.88	133.00	27,442.88
350000	Fines and forfeitures	38,645.00	0.00	38,645.00
360000	Miscellaneous	13,988.20	1,890.00	15,878.20
370000	Investment and royalty earnings	10,855.84	1,643.26	12,499.10
				0.00
	<b>Total Revenues</b>	<b>512,563.88</b>	<b>134,853.24</b>	<b>647,417.12</b>
<b>EXPENDITURES</b>				
Current:				
410000	General government	167,592.79	6,104.24	173,697.03
420000	Public safety	188,119.78	27,726.69	215,846.47
430000	Public works	71,295.52	36,609.48	107,905.00
440000	Public health	14.31	0.00	14.31
450000	Social and economic services	0.00	0.00	0.00
460000	Culture and recreation	29,070.15	0.00	29,070.15
470000	Housing and community development	0.00	0.00	0.00
480000	Conservation of natural resources	0.00	0.00	0.00
490000	Debt Service:			
	Principal	0.00	0.00	0.00
	Interest	0.00	0.00	0.00
				0.00
	Capital outlay	1,611.23	34,188.77	35,800.00
500000	Internal Services			0.00
510000	Miscellaneous	0.00	0.00	0.00
	<b>Total Expenditures</b>	<b>457,703.78</b>	<b>104,629.18</b>	<b>562,332.96</b>
	<b>Excess of revenues (under) expenditures</b>	<b>54,860.10</b>	<b>30,224.06</b>	<b>85,084.16</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
381010/40	Bonds issued	0.00	0.00	0.00
381010/40	Discount on bonds issued	0.00	0.00	0.00
381050	Inception of capital lease	0.00	0.00	0.00
381070	Notes/loans/intercap issued	0.00	0.00	0.00
382010	Sale of capital assets	0.00	0.00	0.00
383000	Transfers In	0.00	0.00	0.00
521000	Transfers out	0.00	0.00	0.00
				0.00
	<b>Total other financing sources (uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>Net change in fund balances</b>	<b>54,860.10</b>	<b>30,224.06</b>	<b>85,084.16</b>
	Fund balances - July 1, 2009 as previously reported	98,791.17	338,595.44	437,386.61
	Prior period adjustments	0.00	0.00	0.00
	Fund balances - July 1, 2009 as restated	98,791.17	338,595.44	437,386.61
	Fund balances - June 30, 2010	153,651.27	368,819.50	522,470.77

**TOWN OF STEVENSVILLE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDING JUNE 30, 2010**

Net change in fund balances - total governmental funds (page 16 )		<u>85,084.16</u>
Amounts reported for governmental activities in the statement of activities (page ) 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		<u>35,800.00</u>
Depreciation expense		<u>(34,647.00)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
Gain (loss) on the disposal of capital assets		
Proceeds from the sale of capital assets		<u>0.00</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated capital assets		
Long-term receivables (deferred revenue)		<u>64,609.54</u>
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets:		
Capital lease proceeds		<u>0.00</u>
Bond sale proceeds		<u>0.00</u>
Loan proceeds		<u>0.00</u>
Repayment of debt principal is and expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:		
Capital lease obligation principal payments		
Long-term loan/contract principal payments		
Long-term bond principal payments		
Internal service funds are used by management to charge the costs of certain activities, such as insurance and data processing, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the government-wide statement of activities net of the amounts allocated to business-type activities and depreciation expense		
Change in net assets	<u>0.00</u>	
Net of amount allocated to business-type/external activities	<u>0.00</u>	
Depreciation Expense	<u>0.00</u>	<u>0.00</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Accrued compensated absences		<u>0.00</u> <u>(13,751.19)</u>
Change in Net Assets in Governmental Activities		<u>137,095.51</u> <u>0.00</u>

**TOWN OF STEVENSVILLE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	Business-type Activities					Totals	Governmental Activities
		Major Enterprise Funds				Nonmajor Enterprise Funds		
		5210 Water	5310 Sewer	5610 Airport	-			
							Internal Service	
	<b>ASSETS</b>							
	<b>Current Assets</b>							
101000	Cash and cash equivalents	111,911.74	288,653.13	30,033.47		0.00	410,598.34	0.00
103000	Petty cash	150.00	0.00			0.00	150.00	0.00
101100	Investments (at fair value)					0.00	0.00	0.00
	Tax/assessment receivable (net of allowance for uncollectibles)					0.00	0.00	0.00
110000	Accounts/other receivables - (net of allowance for uncollectibles)	15,675.25	129,024.85			0.00	144,700.10	0.00
120000	Due from other funds					0.00	0.00	0.00
132000	Due from other governments					0.00	0.00	0.00
141000	Prepaid expense					0.00	0.00	0.00
150000	Inventories					0.00	0.00	0.00
	<b>Total Current Assets</b>	127,736.99	397,677.98	30,033.47	0.00	0.00	555,448.44	0.00
	<b>Noncurrent Assets</b>							
	<b>Restricted Assets:</b>							
102200	Cash and cash equivalents	0.00	281,127.05	0.00		0.00	281,127.05	0.00
102300	Investments					0.00	0.00	0.00
133000	Advances to other funds					0.00	0.00	0.00
170000	Other debts					0.00	0.00	0.00
180000	<b>Capital assets:</b>							
	Land	49,007.74	16,627.30	597,562.65		0.00	663,197.69	0.00
	Construction in progress	107,164.06	21,519.00	0.00		0.00	128,683.06	0.00
	Buildings	116,708.00	34,001.00	5,268.00		0.00	155,977.00	0.00
	Improvements other than buildings	5,903.30	0.00	2,541,240.21		0.00	2,547,143.51	0.00
	Machinery and equipment	35,196.00	112,991.00	206,345.00		0.00	354,532.00	0.00
	Infrastructure (utility systems)	666,506.00	3,787,277.20	0.00		0.00	4,453,783.20	0.00
	Less: accumulated depreciation	(559,845.90)	(1,469,828.33)	(832,652.39)		0.00	(2,862,326.62)	0.00
	Capital assets - net of accumulated depreciation	420,639.20	2,502,587.17	2,517,783.47	0.00	0.00	5,440,989.84	0.00
	<b>Total Noncurrent Assets</b>	420,639.20	2,783,714.22	2,517,783.47	0.00	0.00	5,722,116.89	0.00
	<b>Total Assets</b>	548,376.19	3,181,392.20	2,547,786.94	0.00	0.00	6,277,565.33	0.00
	<b>LIABILITIES</b>							
	<b>Current Liabilities</b>							
202100	Accounts payable					0.00	0.00	0.00
203100	Judgments payable					0.00	0.00	0.00
204000	Contracts/loans/notes payable			8,485.00		0.00	8,485.00	0.00
205200	Matured interest payable		29,060.00			0.00	29,060.00	0.00
208100	Other accrued payables					0.00	0.00	0.00
209100	Compensated absences	16,308.61	21,019.94			0.00	37,328.55	0.00
211000	Due to other funds					0.00	0.00	0.00
212000	Due to other governments		330.00			0.00	330.00	0.00
214000	Deposits payable	613.88	(23.35)			0.00	590.53	0.00
223000	Deferred revenue					0.00	0.00	0.00
	<b>Total Current Liabilities</b>	16,922.49	50,386.59	8,485.00	0.00	0.00	75,794.08	0.00
	<b>Noncurrent Liabilities</b>							
231000	Bonds payable		1,815,112.31			0.00	1,815,112.31	0.00
233000	Advance from other funds					0.00	0.00	0.00
234000	Judgments payable					0.00	0.00	0.00
235000	Contracts/loans/notes payable			30,605.50		0.00	30,605.50	0.00
236000	Closure/postclosure care costs					0.00	0.00	0.00
238000	OPEB Liability					0.00	0.00	0.00
239000	Compensated absences	12,813.90	16,515.67			0.00	29,329.57	0.00
	<b>Total Noncurrent Liabilities</b>	12,813.90	1,831,627.98	30,605.50	0.00	0.00	1,875,047.38	0.00
	<b>Total Liabilities</b>	29,736.39	1,882,014.57	39,090.50	0.00	0.00	1,950,841.46	0.00
	<b>NET ASSETS</b>							
	Invested in capital assets, net of related debt	420,639.20	658,414.86	2,478,672.97	0.00	0.00	3,557,727.03	0.00
	Restricted for:							
	Debt Service		172,188.00			0.00	172,188.00	0.00
						0.00	0.00	0.00
						0.00	0.00	0.00
	Unrestricted	98,000.60	468,774.77	30,033.47	0.00	0.00	596,808.84	0.00
	<b>Total Net Assets</b>	518,639.80	1,299,377.63	2,508,706.44	0.00	0.00	4,326,723.87	0.00
	Balance check (Should equal zero)	0.00	0.00	0.00	0.00	0.00		

Reconciliation to government-wide statement of net assets:  
 Adjustment to reflect the consolidations of internal service funds activities related to enterprise funds  
 Net assets of business-type activities 4,326,723.87

**TOWN OF STEVENSVILLE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	Business-type Activities				Governmental Activities		
		Major Enterprise Funds			Nonmajor Enterprise Funds	Totals	Internal Service	
		5210 Water	5310 Sewer	5610 Airport				
<b>OPERATING REVENUES</b>								
340000	Charges for services	230,055.58	190,760.84	50,557.40	0.00	471,373.82	0.00	
360000	Miscellaneous revenues	860.96	0.00	0.00	0.00	860.96	0.00	
363000	Special assessments	0.00	173,095.88	0.00	0.00	173,095.68	0.00	
	<b>Total Operating Revenues</b>	<b>230,916.54</b>	<b>363,856.52</b>	<b>50,557.40</b>	<b>0.00</b>	<b>645,330.46</b>	<b>0.00</b>	
<b>OPERATING EXPENSES</b>								
100	Personal services	80,062.07	106,392.84	78.61	0.00	186,533.52	0.00	
200	Supplies	35,215.59	44,440.66	254.20	0.00	79,910.45	0.00	
300	Purchased services	224,369.44	104,463.98	7,883.78	0.00	336,717.20	0.00	
400	Building materials				0.00	0.00	0.00	
500	Fixed charges	7,946.15	7,946.15	1,250.00	0.00	17,142.30	0.00	
810	Loss/Bad debt expense				0.00	0.00	0.00	
830	Depreciation	16,535.00	76,698.00	163,329.00	0.00	256,562.00	0.00	
	<b>Total Operating Expenses</b>	<b>364,128.25</b>	<b>339,941.63</b>	<b>172,795.59</b>	<b>0.00</b>	<b>876,865.47</b>	<b>0.00</b>	
	Operating Income (Loss)	(133,211.71)	23,914.89	(122,238.19)	0.00	(231,535.01)	0.00	
<b>NONOPERATING REVENUES (EXPENSES)</b>								
310000	Taxes/assessment revenue				0.00	0.00	0.00	
320000	Licenses/permits revenue				0.00	0.00	0.00	
330000	Intergovernmental revenue	0.00	0.00	216,322.00	0.00	216,322.00	0.00	
371000	Interest revenue	2,699.25	11,286.13	1,206.97	0.00	15,192.35	0.00	
490000	Debt service interest expense	0.00	(83,675.76)	(2,166.06)	0.00	(85,841.82)	0.00	
	<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,699.25</b>	<b>(72,389.63)</b>	<b>215,362.91</b>	<b>0.00</b>	<b>145,672.53</b>	<b>0.00</b>	
	Income (Loss) before contributions and transfers	(130,512.46)	(48,474.74)	93,124.72	0.00	(85,862.48)	0.00	
	Capital contributions				0.00	0.00	0.00	
	Transfers in (out)	0.00	0.00	0.00	0.00	0.00	0.00	
	Change in net assets	(130,512.46)	(48,474.74)	93,124.72	0.00	(85,862.48)	0.00	
	Total net assets - July 1, 2009 as previously reported	649,152.26	1,347,852.37	2,415,581.72	0.00	4,412,586.35	0.00	
	Prior period adjustments	0.00	0.00	0.00	0.00	0.00	0.00	
	Total net assets - July 1, 2009 as restated	649,152.26	1,347,852.37	2,415,581.72	0.00	4,412,586.35	0.00	
	Total net assets - June 30, 2010	518,639.80	1,299,377.63	2,508,706.44	0.00	4,326,723.87	0.00	
		Reconciliation to government-wide statement of activities:						
		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						
		Change in net assets of business-type activities					(85,862.48)	

**TOWN OF STEVENSVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Description	Business-type Activities				Totals	Governmental Activities
	Major Enterprise Funds			Nonmajor Enterprise Funds		
	5210 Water	5310 Sewer	5610 Airport			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	233,375.38	354,585.06	50,557.40	0.00	638,517.84	0.00
Cash paid to suppliers	(272,592.26)	(156,978.93)	(9,387.98)	0.00	(438,959.17)	0.00
Cash paid to employees	(77,269.55)	(103,204.22)	(78.61)	0.00	(180,552.38)	0.00
Cash received from interfund services provided				0.00	0.00	0.00
Cash paid for interfund services used				0.00	0.00	0.00
Net cash provided (used) by operating activities	(116,486.43)	94,401.91	41,090.81	0.00	19,006.29	0.00
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from (to) other funds	0.00	0.00	0.00	0.00	0.00	0.00
Advances from (to) other funds				0.00	0.00	0.00
Subsides from taxes and other governments	0.00	0.00	216,322.00	0.00	216,322.00	0.00
Net cash provided (used) by capital and related financing activities	0.00	0.00	216,322.00	0.00	216,322.00	0.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from debt				0.00	0.00	0.00
Capital contributions	0.00	0.00	0.00	0.00	0.00	0.00
Purchases/acquisition/construction of capital assets	(53,073.61)		(224,950.00)	0.00	(278,023.61)	0.00
Principal on debt		(27,780.24)	(10,109.50)	0.00	(37,889.74)	0.00
Interest paid on debt	0.00	(83,675.76)	(2,166.06)	0.00	(85,841.82)	0.00
Capital lease down payment				0.00	0.00	0.00
Proceeds from sales of capital assets				0.00	0.00	0.00
Net cash provided (used) by capital and related financing activities	(53,073.61)	(111,456.00)	(237,225.56)	0.00	(401,755.17)	0.00
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sales of investments				0.00	0.00	0.00
Purchase of investments				0.00	0.00	0.00
Interest earnings	2,699.25	11,286.13	1,206.97	0.00	15,192.35	0.00
Net cash provided (used) by investing activities	2,699.25	11,286.13	1,206.97	0.00	15,192.35	0.00
Net increase (decrease) in cash and cash equivalents	(166,860.79)	(5,767.96)	21,394.22	0.00	(151,234.53)	0.00
Cash and cash equivalents - July 1, 2009	278,922.53	555,548.14	8,639.25	0.00	843,109.92	0.00
Cash and cash equivalents - June 30, 2010	112,061.74	549,780.18	30,033.47	0.00	691,875.39	0.00
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	(133,211.71)	23,914.89	(122,238.19)	0.00	(231,535.01)	0.00
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	16,535.00	76,698.00	163,329.00	0.00	256,562.00	0.00
(Increase) Decrease in accounts receivable	2,120.68	(9,271.46)	0.00	0.00	(7,150.78)	0.00
(Increase) Decrease in intergovernmental receivables				0.00	0.00	0.00
(Increase) Decrease in due from other funds				0.00	0.00	0.00
Increase in allowance for uncollectible accounts				0.00	0.00	0.00
(Increase) decrease in inventories				0.00	0.00	0.00
(Increase) decrease in prepaid items				0.00	0.00	0.00
Increase (decrease) in customer deposits	338.16	0.00	0.00	0.00	338.16	0.00
Increase (decrease) in accounts payable	(5,061.08)	(128.14)	0.00	0.00	(5,189.22)	0.00
Increase (decrease) in compensated absences pay	2,792.52	3,188.62	0.00	0.00	5,981.14	0.00
Increase (decrease) in intergovernmental payables				0.00	0.00	0.00
Increase (decrease) in due to other funds				0.00	0.00	0.00
Total adjustments	16,725.28	70,487.02	163,329.00	0.00	250,541.30	0.00
Net cash provided (used) by operating activities	(116,486.43)	94,401.91	41,090.81	0.00	19,006.29	0.00
Noncash investing, capital, and financing activities:						
Borrowing under capital lease				0.00	0.00	0.00
Contributions of capital assets from government				0.00	0.00	0.00
Purchase of equipment on account				0.00	0.00	0.00
Increase in fair value of investments				0.00	0.00	0.00
Capital asset trade-ins				0.00	0.00	0.00

**TOWN OF STEVENSVILLE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	Trust Funds			Agency Funds
		Pension	Investment	Private Purpose	Agency Composite
		Trust Funds (7000-7005)	Trust Funds (7006-7009)	Trust Funds (7010-7099)	
<b>ASSETS</b>					
101000	Cash and cash equivalents				162,867.21
110000	Receivables: Tax/assessment receivable (net of allowance for uncollectibles)				2,788.46
120000	Accounts/other receivables - (net of allowance for uncollectibles)				
128000	Interest receivable				
101100	Investments (at fair value)				
	<b>Total Assets</b>	0.00	0.00	0.00	165,655.67
<b>LIABILITIES</b>					
201100	Warrants payable				156,537.52
202100	Accounts payable				6,199.84
203100	Judgments payable				
204100	Contracts payable				
211000	Due to other funds				
212000	Due to other governments				2,918.31
	<b>Total Liabilities</b>	0.00	0.00	0.00	165,655.67
<b>NET ASSETS</b>					
	Held in trust for pension benefits and other purposes	0.00	0.00	0.00	

**TOWN OF STEVENSVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

Account Number	Description	Trust Funds		
		Pension Trust Funds (7000-7005)	Investment Trust Funds (7006-7009)	Private Purpose Trust Funds (7010-7099)
	<b>ADDITIONS:</b>			
310000	Tax revenue			
330000	Intergovernmental revenue			
360000	Miscellaneous revenue			
370000	Investment earnings			
366000	Contributions to pension plan			
366000	Contributions to investment trust			
	<b>Total Additions</b>	0.00	0.00	0.00
	<b>DEDUCTIONS:</b>			
	Administrative expenses			
	Refunds of contributions			
	Benefit payments			
	Distribution of investments			
	Due to other funds			
	Due to other governments			
	<b>Total Deductions</b>	0.00	0.00	0.00
	Change in net assets	0.00	0.00	0.00
	Total net assets - July 1, 2009 as previously reported			
	Prior period adjustments			
	Total net assets - July 1, 2009 as restated	0.00	0.00	0.00
	Total net assets - June 30, 2010	0.00	0.00	0.00

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Stevensville is a political subdivision of the State of Montana governed by a Mayor and Council (Commission) duly elected by the registered voters of the Town. The Town utilizes the Mayor/Council form of government. The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government, but is financially accountable to or fiscally dependent upon the primary government or their omission from the financial statements would be misleading or incomplete.

Blended Component Unit: N/A \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Discretely Presented Component Unit: N/A \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary governments is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.



**TOWN OF STEVENSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Taxes and assessments receivable remaining uncollected at year end are offset by a deferred revenue since they are not available to pay liabilities of the current period.

The government reports the following major governmental funds:

General Fund - This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

Water Enterprise Fund - This fund is used to account for the operating and nonoperating revenues and expenses of the public water utility system. The fund is maintained on the full accrual basis of accounting.

Sewer Enterprise Fund - This fund is used to account for the operating and nonoperating revenues and expenses of the public sewer utility system. The fund is maintained on the full accrual basis of accounting.

Airport Enterprise Fund - This fund is used to account for the operating and nonoperating revenues and expenses of the Town airport. The fund is maintained on the full accrual basis of accounting.

Additionally, the government reports the following fund types:

Pension Trust Funds - These funds are used to account for the activities of a local retirement plan which accumulates resources for pension benefit payments to qualified employees.

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

D. Assets, liabilities, and net assets or equity - cont.

5. **Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the County/City/Town as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	10-39
Machinery	7
Source of Supply	50
Pumping Plant	15
Treatment	15-50

6. **Compensated absences**

As required by State law, the Town allows for employees to accumulate earned but unused vacation and sick leave benefits. Unused vacation leave benefits are 100 percent payable upon termination and 1/4 of unused sick leave benefits are payable upon termination. Such amounts are reported as liabilities in the appropriate governmental or business-type activity in the government wide statements. Expenditures for unpaid vacation and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting.

7. **Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond issue using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. **Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**  
The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. (Disclose here any element of that reconciliation which may require further analysis for the reader to understand)

None

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**  
The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. (Disclose here any element of that reconciliation which may require further analysis for the reader to understand)

None

- C. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets.**  
The proprietary fund statement of net assets includes a reconciliation between *net assets - total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. (Disclose here any element of that reconciliation which may require further analysis for the reader to understand).

None

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

3. COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget and the final adoption of the budget by the later of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuations from the Department of Revenue (county assessor). The Town must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

Encumbrance accounting is not employed for the governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

B. Excess of expenditures over appropriations

(Disclose here any instances of budget overdrafts at the activity level)

2394 Building Code Enforcement over budget by \$2,561.05

2941 CDBG - ED Over budget by \$9,701.25

2990 HB 645 MT Recovery Act \$34,188.77

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C. Deficit fund equity

(Disclose here any instance of deficit fund equity balances and the reasons for such deficit)

Fund 2394 Building Code Enforcement (\$10,770.19) Decline in revenues without an adjustment to planned expenditures.

Fund 2941 CDBG - ED (\$5,000) Expecting reimbursement for expenditures.

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**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

**4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of June 30, 20010, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$	
Repurchase Agreements	\$	
State Short-Term Investment Pool (STIP)	\$	
	\$	
<u>Total fair value</u>	<u>\$</u>	
Portfolio weighted average maturity		

*Interest rate risk.* The Town has no stated Interest rate risk as of June 30, 2010.

*Credit risk.* State law authorizes the Town to invest in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the County; U.S. government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the fund meets certain conditions. Credit risk is minimized by compliance with State law.

*Concentration of credit risk.* The Town has no stated Concentration of credit risk as of June 30, 2010.

*Custodial credit risk.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law governs the amount and types of security required to cover that portion of the deposits which is not guaranteed or insured according to law. Per state law, when negotiatiable securites are furnished, such securites may be placed in trust and the trustee's receipt may be accepted in lieu of actual securities when such receipt is in favor of the treasurer or town clerk and his successors. Sections 7-6-202 and 7-6-206, MCA severely limit the types of investments and time deposits which are permitted by the Town. Compliance with these statutes minimizes the Town's custodial credit risk.

**B. Amounts due to and due from other funds**

Due from other funds and due to other funds consist(s) of the following:

Account Number 131XXX		Account 211XXX	
Due from		Due to	
Due from		Due to	
Due from		Due to	
Due from		Due to	
Due from		Due to	
<b>Total Due From Other Funds</b>	<b>0</b>	<b>Total Due From Other Funds</b>	<b>0</b>

**TOWN OF STEVENSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

4. DETAILED NOTES ON ALL FUNDS - cont.

C. Capital assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	2,707.00	0.00	0.00	2,707.00
Construction in progress	0.00	0.00	0.00	0.00
Total capital assets not being depreciated	2,707.00	0.00	0.00	2,707.00
Capital assets being depreciated				
Buildings	427,934.00	0.00	0.00	427,934.00
Intangibles/works of art	0.00	0.00	0.00	0.00
Improvements other than buildings	66,962.80	35,800.00	0.00	102,762.80
Machinery and equipment	430,406.00	0.00	0.00	430,406.00
Infrastructure	0.00	0.00	0.00	0.00
Total capital assets being depreciated	925,302.80	35,800.00	0.00	961,102.80
Less accumulated depreciation for:				
Buildings	(273,324.00)	0.00	(10,111.00)	(283,435.00)
Intangibles/works of art	0.00	0.00	0.00	0.00
Improvements other than buildings	(38,933.00)	0.00	(4,336.00)	(43,269.00)
Machinery and equipment	(359,286.00)	0.00	(20,200.00)	(379,486.00)
Infrastructure	0.00	0.00	0.00	0.00
Total accumulated depreciation	(671,543.00)	35,800.00	(34,647.00)	(706,190.00)
Total capital assets being depreciated	253,759.80	71,600.00	(34,647.00)	254,912.80
Governmental activities capital assets net	256,466.80	71,600.00	(34,647.00)	257,619.80
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	663,197.69			663,197.69
Construction in progress	81,512.75	47,170.31		128,683.06
Total capital assets not being depreciated	744,710.44	47,170.31	0.00	791,880.75
Capital assets being depreciated				
Buildings and system	155,977.00			155,977.00
Intangibles/works of art				0.00
Improvements other than buildings	2,316,290.21	230,853.30		2,547,143.51
Machinery and equipment	354,532.00			354,532.00
Source of supply	84,754.00			84,754.00
Pumping plant	18,900.00			18,900.00
Treatment plant	4,350,129.20			4,350,129.20
Transmission and distribution				0.00
General plant				0.00
Total capital assets being depreciated	7,280,582.41	230,853.30	0.00	7,511,435.71
Less accumulated depreciation for:				
Buildings and system	(76,909.95)	(4,000.00)		(80,909.95)
Intangibles/works of art				0.00
Improvements other than buildings	(637,623.74)	(150,028.00)		(787,651.74)
Machinery and equipment	(173,199.33)	(14,256.00)		(187,455.33)
Source of supply	(83,058.84)	(1,695.00)		(84,753.84)
Pumping plant	(18,900.00)			(18,900.00)
Treatment plant	(1,616,072.76)	(86,583.00)		(1,702,655.76)
Transmission and distribution				0.00
General plant				0.00
Total accumulated depreciation	(2,605,764.62)	(256,562.00)	0.00	(2,862,326.62)
Total capital assets being depreciated	4,674,817.79	(25,708.70)	0.00	4,649,109.09
Business-type activities capital assets net	5,419,528.23	21,461.61	0.00	5,440,989.84

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

4. DETAILED NOTES ON ALL FUNDS - cont.

C. Capital assets - cont.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	2,387.00
Public safety	19,366.00
Public works	10,015.00
Public health	0.00
Social and economic services	0.00
Culture and recreation	2,879.00
Housing and community development	0.00
Conservation of natural resources	0.00
Uncatagorized	0.00
Total depreciation expense - governmental activities	34,647.00
Business-type activities:	
Water utilities	16,535.00
Sewer utilities	76,698.00
Solid Waste services	163,329.00
Ambulance services	
Total depreciation expense - business-type activities	256,562.00

D. Operating leases

The Town leases certain facilities and equipment under noncancelable operating lease arrangements. Total costs of the leases for the fiscal year ended June 30, 2010 were \$0.00. The future minimum lease payments for these leases are as follows:

Year ending June 30	<u>Amount</u>
20__	
20__	
20__	
20__	
20__	
20__ - 20__	
Total	0.00

E. Long-term debt

The Town has assumed the following long-term debt:

1. General Obligation Bonds The town has no General Obligation Bonds as of June 30, 2010.

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding June 30, 2010</u>	<u>Annual serial payment</u>
Total G.O. Bonds						0	0

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

4. DETAILED NOTES ON ALL FUNDS - cont.

E. Long-term debt - cont.

2. Revenue Bonds

Bonds payable at June 30, 2010 are comprised of the following issues:

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding June 30, 2010</u>	<u>Annual serial payment</u>
Sewer RUS #1	12/19/2000	4.50%	40	5/19/2040	1,250,000	1,116,866.35	67,500
Sewer RUS #2	12/19/2000	4.50%	40	5/19/2040	814,000	727,305.96	43,956
<b>Total Revenue Bonds</b>						1,844,172.31	111,456

3. Special Assessment Bonds

Bonds payable at June 30, 2010 are comprised of the following issues:

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding June 30, 2010</u>	<u>Annual serial payment</u>
<b>Total Sp. Assess. Bonds</b>						0	0

4. Contracts, notes, or loans

<u>Purpose</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>	<u>Date of Last Payment</u>
Montana Aeronautics #1	38,000	8/28/2001	4.75%	3,880	2/28/2011
Montana Aeronautics #2	46,045	1/17/2008	4.13%	35,211	2/28/2018
<b>Total</b>				39,091	

F. Property leased to others

The following represents property owned by the Town which is leased to other governments, organizations, or individuals for specific purposes:

<u>Whom leased to</u>	<u>Description of leased property</u>	<u>Duration of lease</u>	<u>Minimum annual payment</u>



**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

**OTHER POST EMPLOYMENT BENEFITS (OPEB) NOTE DISCLOSURE**

*(Note: The following note disclosure should be modified, as appropriate, to correctly describe the local government's OPEB. This illustration represents a disclosure for a city or town that participates in the MMIA group health insurance plan. The "Plan Description" portion of this illustration will need to be modified for local governments that are self-insured purchase a commercial group insurance plan, belong to MACO Health Care Trust, etc.)*

**Post Employment Benefits Other Than Pensions (OPEB)**

*(Include this first sentence only in the year of implementation.)*

The City/Town implemented GASB Statement 45 for fiscal year 2010, and for the first time reports an expense and liability for the "other postemployment benefits" (OPEB) it provides.

The City/Town allows its retired employees to continue to participate in its group health insurance plan at a premium rate that does not cover all of the related healthcare costs. This results in an OPEB referred to as an "implicit rate subsidy." OPEB is considered to be a long-term liability and is recorded on the modified accrual basis for governmental funds, and on the accrual basis for proprietary funds and the Government-wide Statements of Net Assets and Activities.

Plan Description: The City/Town is a member of the Montana Municipal Interlocal Authority (MMIA), a local government risk retention pool which administers the City's/Town's group health insurance plan, an agent multiple-employer defined benefit plan. As required by State law (MCA 2-18-704), the City/Town provides its employees who retire, along with their eligible spouses and dependents, the option to continue to participate in the City's/Town's group health insurance plan until the retiree becomes eligible for Medicare coverage. To continue this health insurance coverage, the retirees are required to pay the full amount of their premium. State law does not require that the City/Town provide the same premium rates to retirees as it pays for its active employees, nor does it require that the City pay any portion of the retiree premiums. Premium rates and healthcare benefits may be administratively altered at the end of any contract year.

MMIA issues an annual financial report that can be obtained at:  
Montana Municipal Interlocal Authority  
PO Box 6669  
Helena, MT 59604-6669

Funding Policy: The plan is unfunded by the City/Town, and retirees receiving benefits contribute 100% of their premium on a "pay-as-you-go" basis.

The City/Town pays \$\_\_\_\_\_ or \_\_\_\_\_% of the premium for its active employees, and contributes nothing to the premium for its retirees. For the current fiscal year, premiums for the City/Town's retirees varied between \$\_\_\_\_\_ and \$\_\_\_\_\_ per month, and premiums for the City's active employees varied between \$\_\_\_\_\_ and \$\_\_\_\_\_ per month, depending on the coverage selected.

**OR**

For the current fiscal year, premiums for the City/Town's retirees and active employees were at the same rate, and varied between \$\_\_\_\_\_ and \$\_\_\_\_\_ per month, depending on the coverage selected.

\_\_\_\_\_ Active employees and \_\_\_\_\_ Retired members received benefits through the City's healthcare plan.

**TOWN OF STEVENSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

**OPEB Continued:**

*Annual Required Contributions:* The annual required contribution (ARC), an actuarially determined amount, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

<u>Annual OPEB Cost</u>	
Annual Required Contributions (ARC) as of June 30, 20__	_____
Net OPEB Obligation at July 1, 20__	_____
Interest on Net OPEB Obligation	_____
Amortization Factor	_____
ARC Adjustments	_____
Annual OPEB Cost	_____

<u>Net OPEB Obligation</u> (Note: this example assumes transition year. Provide this information for the current and 2 preceding years, as applicable, in subsequent years.)	
Net OPEB Obligation at July 1, 20__	_____
Annual OPEB Cost (Expense)	_____
Contributions Made	_____
% of Annual OPEB Cost Contributed	_____
Net OPEB Obligation at June 30, 20__	_____

<u>Funded Status</u> (Note: This example assumes no funding of the liability. Adjust as necessary.)	
Actuarial Valuation Date	
Actuarial Value of Assets	0
Actuarial Accrued Liability (AAL)	_____
Unfunded Actuarial Accrued Liability (UAAL)	_____
Funded Ratio	_____
Annual Covered Payroll	_____
Ratio of UAAL to Annual Covered Payroll	_____

*Actuarial Methods and Assumptions:* Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities (AAL) and the actuarial value of assets.

Calculations are based on the types of benefits provided under the terms of substantive plan (the plan terms as understood by the City/Town and plan members) at the time of the Fiscal Year \_\_\_\_\_ actuarial valuation and on the pattern of sharing of costs between the City/Town and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual fund limitations on the pattern of cost sharing between the employer and plan members in the future.

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

**OPEB Continued:**

Actuarial methods and significant assumptions used: *(disclose items with \* only if applicable)*

Actuarial cost method:	_____
Method(s) used to determine the actuarial value of assets (N/A if OPEB not funded):	_____
Inflation rate:	_____
Investment return:	_____
Participation rate:	_____
* Post-retirement benefit increases:	_____
* Projected salary increases:	_____
Healthcare cost trend rate (include different rates for successive year, if applicable)	_____
Amortization method (level dollar or level percentage or projected payroll):	_____
Amortization period and basis (e.g. 30 years; open OR closed):	_____

The required Schedule of Funding Progress immediately following the notes to the financial statement is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Note: If the Alternative Measurement Method has been used, that fact should be disclosed, along with the source or basis of all significant assumptions or methods selected.***

**TOWN OF STEVENSVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDING JUNE 30, 2010**

**OTHER POST EMPLOYMENT BENEFITS PLAN  
RETIREE HEALTH INSURANCE  
SCHEDULE OF FUNDING PROGRESS**

	FY20__	FY20__	FY20__
Actuarial Valuation Date			
Actuarial Value of Assets			
Actuarial Accrued Liability			
Unfunded Actuarial Accrued Liability (UAAL)			
Funded Ratio			
Annual Covered Payroll			
Ratio of UAAL to Annual Covered Payroll			

**Note:** The City implemented GASB Statement 45 for the fiscal year ending June 30, 20\_\_\_. As such, information from only one actuarial valuation is available. As additional actuarial valuations are performed, this Schedule will be expanded to include information for the most recent and two preceding valuations, and will include disclosure of any factors that significantly affect the identification of trends in the amounts reported. The City is required to have biennial OR triennial actuarial valuations.

\* For single-employer or (agent) individual-employer OPEB plans with a total membership of 200 or more an actuarial valuation is required at least biennially.

\* For single-employer or (agent) individual-employer OPEB plans with a total membership of fewer than 200 an actuarial valuation is required at least triennially.

\* The Alternative Measurement Method (AMM) may be used if your government is either a sole or agent employer with fewer than 100 total plan members.

\*\*Plan members are defined as:

1. Employees in active service
2. Terminated employees who have accumulated benefits but are not yet receiving them
3. Retired employees and beneficiaries currently receiving benefits

**TOWN OF STEVENSVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDING JUNE 30, 2010**

4. DETAILED NOTES ON ALL FUNDS - cont.

G. Pending Litigation

The following is a list of pending litigation against the entity and the amount of damages claimed by the plaintiff. Indicate in the potential of loss column if all or a portion of the damages will be covered by insurance if the entity suffers a loss.

Case	Damages requested	Potential of loss* (Mark with X)		
		1	2	3
None				

\*The potential for loss

- 1 - **Probable** - The future event or events are likely to occur.
- 2 - **Reasonably possible** - The chance of the future event or events occurring is more than remote but less than likely.
- 3 - **Remote** - The chance of the future event or events occurring is slight.

H. Restatements/prior period adjustments

During the current fiscal year, adjustments relating to prior year's transactions were made to the fund balance and retained earnings accounts. The following is a schedule of these adjustments:

Fund	Amount	Reason for adjustment
Total	0.00	

I. Pension and retirement plans

The entity participates in the Montana Public Employees Retirement System, the Sheriff's Retirement System, and the Teacher's Retirement System. The contributions to the plans for the fiscal year are as follows:	Employer share of retirement contribution expenses	Employee share of retirement contribution	Total
a. Public Employee's Retirement System (County/City/Town)	24,124.77	23,544.31	47,669.08
b. Sheriff's Retirement System (County)			0.00
c. Teacher's Retirement System (County)			0.00
d. Other			0.00
<b>Total</b>	<b>24,124.77</b>	<b>23,544.31</b>	<b>47,669.08</b>

**TOWN OF STEVENSVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

5. **BOC SUPPLEMENT SCHEDULE**

1. **Intergovernmental expenditures** - Of the expenditures reported, detail below those expenditures made to other governments on a cost-sharing basis.

Purpose	Amount - Omit Cents	
	Paid to local governments	Paid to state
Airports	M01	
Libraries	M52	
Health	M32	
Local schools	M12	
Welfare	M79	L79
Other	M89	L89

2. **Salaries and Wages** - Report here the total salaries and wages paid to all employees of your government before deductions for social security, retirement, etc. Include also salaries and wages paid to employees of any utility owned and operated by your government.

Amount - Omit cents
503,612

3. **Debt outstanding**

A. Long-term debt outstanding, issued and retired

Purpose	Bonds Outstanding July 1, 2009	Amount -- Omit cents			
		Bonds during the fiscal year		Outstanding as of	June 30, 2010
		Issued	Retired	General Obligation	Revenue bonds
Water utility	19A	29A	39A	41A	44A
Sewer utility	1,871,952.55	29X	27,780.24	41X	44X
Gas utility	19C	29C	39C	41C	44C
Electric utility	19B	29B	39B	41B	44B
All other	19X	29X	39X	41X	44X

B. Short-term debt

Type	Beginning of fiscal year	End of fiscal year
Registered warrants	81V	84V
Contracts payable	49,091.50	39,091.00
Notes payable		
<b>Totals</b>		

4. **Cash balances by fund type** - Cash may consist of cash on hand, checking, savings, repurchase agreements, certificates of deposit, securities, or any other cash related item.

Type of funds	Amount -- Omits cents
General fund (1000)	W81 157,600
Special revenue funds (2000)	W61 315,337
Debt Service funds (3000)	W01 0
Capital projects funds (4000)	W31 51,602
Enterprise funds (5000)	W61 691,875
Internal services funds (6000)	0
Trust and agency funds (7000)	162,867
Permanent funds (8000)	0
<b>Total cash all funds</b>	<b>1,379,282</b>

Form BOC-1



GALUSHA  
HIGGINS  
& GALUSHA<sup>PC</sup>  
EST. 1919

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INDEPENDENT AUDITOR'S 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

To the Town Council  
Town of Stevensville, Montana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stevensville, Montana (Town) as of and for the year ended June 30, 2010, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 21, 2014.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

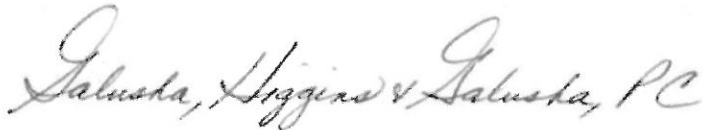
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

As part of obtaining reasonable assurance about whether 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of 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.

A handwritten signature in cursive script that reads "Galusha, Higgins & Galusha, PC".

GALUSHA, HIGGINS & GALUSHA, PC  
Certified Public Accountants and Advisors

Helena, Montana  
February 21, 2014



## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2010-1:**

*Criteria:* Generally Accepted Accounting Principles require financial accounting records and source documentation to support the activity recorded in those records.

*Condition:* For the year ended June 30, 2010, the Town of Stevensville did not maintain adequate accounting records to support the balances and transactions recorded in the Town's accounting system.

*Cause:* The Town of Stevensville experienced turnover in accounting personnel during the year prior to the audit period. During the transition period, accounting records were not maintained according to established procedures.

*Effect or Potential Effect:* The accounting records during the period were not sufficient to support the amounts recorded and were therefore unverifiable for the purposes of the audit.

*Recommendation:* The Town of Stevensville has previously identified the issue noted above and has implemented changes in personnel for the accounting functions to address the issue.

*Responsible Official's Response:* Mayor Gene Mim Mack was appointed Mayor and assumed office on September 23, 2011. Early in his tenure he identified the existing accounting deficiencies and took the following corrective actions:

- Instituted measurable internal controls
- Made personnel changes resulting in more qualified staff at the Treasurer level
- Enlisted the help of Magda Nelson, Lead Accountant for the State of MT Department of Administration Local Government Services Bureau to
  - Provided ongoing GAAP training
  - Supervised review of Town accounting procedures

