

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**Town of Stevensville**

*June 30, 2011*

# Town of Stevensville

June 30, 2011

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GALUSHA  
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& GALUSHA<sup>PC</sup>  
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 audited 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, 2011, 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***

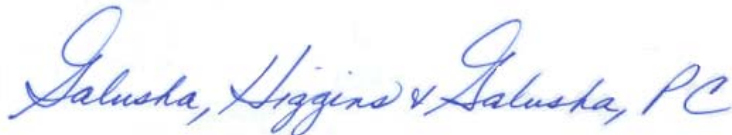
Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Stevensville's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Reporting Entity paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

***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	Robin Holcomb	12/31/2013
Councilperson/Commissioner	Desera Towle	12/31/2013
Councilperson/Commissioner	Pat Groninger	12/31/2011
Councilperson/Commissioner	Dan Mullan	12/31/2011
Councilperson/Commissioner		
Councilperson/Commissioner		
Councilperson/Commissioner		
City manager		
Attorney	Keithi Worthington	6/30/2014
Chief of police	James Marble	n/a
Clerk	Stacy Bartlett, Started 4/9/12	
Clerk/Treasurer	Sue Gibson	2/13/2012
Clerk/Treasurer	Stephanie D. Mapelli, started 2/14/12	n/a
Deputy Clerk/Treasurer	Denise Philley	n/a
City Judge	Martha Birkeneder	6/30/2014
City Services Supervisor	Ed Sutherlin	n/a
Utility billing/collection clerk	Denise Philley	n/a

In accordance with State law, I hereby transmit the  
Town of Stevensville  
Annual Financial Report for the fiscal year ended  
June 30, 2011

Respectfully submitted;

\_\_\_\_\_  
Town Mayor

\_\_\_\_\_  
Date

**Town of Stevensville**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,092,348.73	\$ 470,304.98	\$ 1,562,653.71
Taxes and assessments receivable, net	21,612.78	-	21,612.78
Accounts receivable - net	1,880.00	66,966.55	68,846.55
Total current assets	<u>\$ 1,115,841.51</u>	<u>\$ 537,271.53</u>	<u>\$ 1,653,113.04</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 117,036.00	\$ 117,036.00
Capital assets - land	2,707.00	663,197.69	665,904.69
Capital assets - construction in progress	-	1,264,159.01	1,264,159.01
Capital assets - net of depreciation	223,961.69	4,592,651.20	4,816,612.89
Total noncurrent assets	<u>\$ 226,668.69</u>	<u>\$ 6,637,043.90</u>	<u>\$ 6,863,712.59</u>
Total assets	<u>\$ 1,342,510.20</u>	<u>\$ 7,174,315.43</u>	<u>\$ 8,516,825.63</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	7,642.12	691.19	8,333.31
Current portion of long-term capital liabilities	-	36,189.00	36,189.00
Current portion of compensated absences payable	22,589.00	32,236.50	54,825.50
Total current liabilities	<u>\$ 30,231.12</u>	<u>\$ 69,116.69</u>	<u>\$ 99,347.81</u>
Noncurrent liabilities:			
Deposits payable	\$ -	\$ 590.53	\$ 590.53
Noncurrent portion of long-term capital liabilities	-	2,206,742.57	2,206,742.57
Noncurrent portion of compensated absences	22,589.00	32,236.50	54,825.50
Total noncurrent liabilities	<u>\$ 22,589.00</u>	<u>\$ 2,239,569.60</u>	<u>\$ 2,262,158.60</u>
Total Liabilities	<u>\$ 52,820.12</u>	<u>\$ 2,308,686.29</u>	<u>\$ 2,361,506.41</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 226,668.69	\$ 4,277,076.33	\$ 4,503,745.02
Restricted for:			
Replacement and depreciation	-	5,580.00	5,580.00
Debt service	-	111,456.00	111,456.00
Public safety	23,147.97	-	23,147.97
Public works	246,063.83	-	246,063.83
Housing & community development	54,414.02	-	54,414.02
Unrestricted	739,395.57	471,516.81	1,210,912.38
Total net assets	<u>\$ 1,289,690.08</u>	<u>\$ 4,865,629.14</u>	<u>\$ 6,155,319.22</u>
Total liabilities and net assets	<u>\$ 1,342,510.20</u>	<u>\$ 7,174,315.43</u>	<u>\$ 8,516,825.63</u>

See accompanying notes to the financial statements

Town of Stevensville  
Statement of Activities  
For the Fiscal Year Ended  
June 30, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 168,702.49	\$ 26,851.45	\$ -	\$ -	\$ (141,851.04)		\$ (141,851.04)
Public safety	184,727.89	74,559.68	8,411.29	-	(101,756.92)		(101,756.92)
Public works	116,726.90	15,822.61	49,898.39	-	(51,005.90)		(51,005.90)
Culture and recreation	31,793.95	22,119.93	-	-	(9,674.02)		(9,674.02)
Housing and community development	-	-	1,030.00	-	1,030.00		1,030.00
Unallocated depreciation *	(0.01)	-	-	-	0.01		0.01
Total Governmental Activities	<u>\$ 501,951.22</u>	<u>\$ 139,353.67</u>	<u>\$ 59,339.68</u>	<u>\$ -</u>	<u>\$ (303,257.87)</u>		<u>\$ (303,257.87)</u>
Business-type activities:							
Water	\$ 169,365.79	\$ 373,928.12	\$ -	\$ 249,504.87		\$ 454,067.20	\$ 454,067.20
Sewer	319,692.10	413,313.43	-	63,553.90		157,175.23	157,175.23
Airport	173,544.56	18,552.30	-	197,338.00		42,345.74	42,345.74
Total business-type activities	<u>\$ 662,602.45</u>	<u>\$ 805,793.85</u>	<u>\$ -</u>	<u>\$ 510,396.77</u>		<u>\$ 653,588.17</u>	<u>\$ 653,588.17</u>
Total primary government	<u>\$ 1,164,553.67</u>	<u>\$ 945,147.52</u>	<u>\$ 59,339.68</u>	<u>\$ 510,396.77</u>	<u>\$ (303,257.87)</u>	<u>\$ 653,588.17</u>	<u>\$ 350,330.30</u>
<b>Component units:</b>							
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
General Revenues:							
Property taxes for general purposes					221,984.32	-	221,984.32
Local option tax					38,134.21	-	38,134.21
Permits & Licenses					5,712.55	-	5,712.55
Unrestricted Federal/State shared revenues					165,778.08	-	165,778.08
Unrestricted investment earnings					-	723.87	723.87
Miscellaneous					5,212.90	1,266.74	6,479.64
Transfers - net					(15,379.37)	15,379.37	-
Total general revenues, special items and transfers					<u>\$ 421,442.69</u>	<u>\$ 17,369.98</u>	<u>\$ 438,812.67</u>
Change in net assets					<u>\$ 118,184.82</u>	<u>\$ 670,958.15</u>	<u>\$ 789,142.97</u>
Net assets - beginning					778,294.03	4,326,723.87	5,105,017.90
Restatements					393,211.23	(132,052.88)	261,158.35
Net assets - beginning - restated					<u>\$ 1,171,505.26</u>	<u>\$ 4,194,670.99</u>	<u>\$ 5,366,176.25</u>
Net assets - ending					<u>\$ 1,289,690.08</u>	<u>\$ 4,865,629.14</u>	<u>\$ 6,155,319.22</u>

See accompanying notes to the financial statements

**Town of Stevensville  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	2394		Other	Total Governmental
	General Fund	Building Code Enforcement	Governmental Funds	Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 256,727.19	\$ 36,553.38	\$ 799,068.16	\$ 1,092,348.73
Taxes and assessments receivable, net	20,831.72	-	781.06	21,612.78
Accounts receivable - net	-	-	1,880.00	1,880.00
Total Current Assets	\$ 277,558.91	\$ 36,553.38	\$ 801,729.22	\$ 1,115,841.51
Total Assets	\$ 277,558.91	\$ 36,553.38	\$ 801,729.22	\$ 1,115,841.51
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	7,642.12	-	-	7,642.12
Deferred revenue	20,831.72	-	781.06	21,612.78
Total Current Liabilities	\$ 28,473.84	\$ -	\$ 781.06	\$ 29,254.90
Total Liabilities	\$ 28,473.84	\$ -	\$ 781.06	\$ 29,254.90
Fund Balances				
Restricted for:	-	-	-	-
Public safety	-	-	23,147.97	23,147.97
Public works	-	-	246,063.83	246,063.83
Housing & community development	-	-	54,414.02	54,414.02
Assigned to:	-	-	-	-
General government	-	-	37,751.24	37,751.24
Assigned	-	-	439,571.10	439,571.10
Unassigned	249,085.07	36,553.38	-	285,638.45
Total Fund Balance	\$ 249,085.07	\$ 36,553.38	\$ 800,948.16	\$ 1,086,586.61
Total liabilities and fund balance	\$ 277,558.91	\$ 36,553.38	\$ 801,729.22	\$ 1,115,841.51

See accompanying notes to the financial statements



**Town of Stevensville**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended**  
**June 30, 2011**

	2394			
	<u>General Fund</u>	<u>Building Code Enforcement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 271,703.44	\$ -	\$ 15,228.96	\$ 286,932.40
Licenses and permits	5,712.55	73,059.68	-	78,772.23
Intergovernmental	166,808.08	-	58,284.68	225,092.76
Charges for services	28,467.43	-	65.00	28,532.43
Fines and forfeitures	21,214.95	-	-	21,214.95
Miscellaneous	5,237.90	-	-	5,237.90
Investment earnings	-	-	4,821.50	4,821.50
Total revenues	<u>\$ 499,144.35</u>	<u>\$ 73,059.68</u>	<u>\$ 78,400.14</u>	<u>\$ 650,604.17</u>
<b>EXPENDITURES</b>				
General government	\$ 162,574.38	\$ -	\$ 1,891.93	\$ 164,466.31
Public safety	130,539.12	25,736.11	7,492.84	163,768.07
Public works	66,837.18	-	40,868.13	107,705.31
Culture and recreation	28,380.50	-	-	28,380.50
Total expenditures	<u>\$ 388,331.18</u>	<u>\$ 25,736.11</u>	<u>\$ 50,252.90</u>	<u>\$ 464,320.19</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 110,813.17</u>	<u>\$ 47,323.57</u>	<u>\$ 28,147.24</u>	<u>\$ 186,283.98</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 3,242.18	\$ 3,242.18
Transfers (out)	(18,621.55)	-	-	(18,621.55)
Total other financing sources and uses	<u>\$ (18,621.55)</u>	<u>\$ -</u>	<u>\$ 3,242.18</u>	<u>\$ (15,379.37)</u>
Net change in fund balance	<u>\$ 92,191.62</u>	<u>\$ 47,323.57</u>	<u>\$ 31,389.42</u>	<u>\$ 170,904.61</u>
Fund balances - beginning	\$ 153,651.27	\$ (10,770.19)	\$ 379,589.69	\$ 522,470.77
Restatements	3,242.18	-	389,969.05	393,211.23
Fund balances - beginning restated	<u>\$ 156,893.45</u>	<u>\$ (10,770.19)</u>	<u>\$ 769,558.74</u>	<u>\$ 915,682.00</u>
Fund balances - ending	<u>\$ 249,085.07</u>	<u>\$ 36,553.38</u>	<u>\$ 800,948.16</u>	<u>\$ 1,086,586.61</u>

See accompanying notes to the financial statements

**Town of Stevensville**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2011**

<b>Total fund balances - governmental funds</b>	\$	1,086,586.61
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		226,668.69
Other assets are not available for current-period expenditures and, therefore, are deferred in the funds		21,612.78
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(45,178.00)
<b>Total net assets - governmental activities</b>	\$	<u><u>1,289,690.08</u></u>

See accompanying notes to the financial statements

**Town of Stevensville**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended**  
**June 30, 2011**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>170,904.61</b>
activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Depreciation expense		(30,951.11)
Tax and assessment revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Tax and assessment receivables (change in deferred revenues)		(15,088.76)
The change in compensated absences is shown as an expense on the Statement of Activities, but are not reported as an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
-Change in compensated absence liability		(6,679.92)
<b>Change in net assets - Statement of Activities</b>	<b>\$</b>	<b><u>118,184.82</u></b>

See accompanying notes to the financial statements

**Town of Stevensville  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

**Business-Type Activities  
Enterprise Funds**

	5210	5310	5610	
	Water	Sewer	Airport	Totals
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 210,579.45	\$ 191,286.70	\$ 68,438.83	\$ 470,304.98
Accounts receivable - net	1,873.55	65,093.00	-	66,966.55
<b>Total Current Assets</b>	<b>\$ 212,453.00</b>	<b>\$ 256,379.70</b>	<b>\$ 68,438.83</b>	<b>\$ 537,271.53</b>
<b>Noncurrent Assets</b>				
Restricted cash and investments	\$ -	\$ 117,036.00	\$ -	\$ 117,036.00
Capital assets - land	49,007.74	16,627.30	597,562.65	663,197.69
Capital assets - construction in progress	700,327.15	563,831.86	-	1,264,159.01
Capital assets - net of depreciation	249,627.52	2,387,743.51	1,955,280.17	4,592,651.20
<b>Total Noncurrent Assets</b>	<b>\$ 998,962.41</b>	<b>\$ 3,085,238.67</b>	<b>\$ 2,552,842.82</b>	<b>\$ 6,637,043.90</b>
<b>Total Assets</b>	<b>\$ 1,211,415.41</b>	<b>\$ 3,341,618.37</b>	<b>\$ 2,621,281.65</b>	<b>\$ 7,174,315.43</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	149.43	541.76	-	691.19
Current portion of long-term capital liabilities	-	30,000.00	6,189.00	36,189.00
Current portion of compensated absences payable	16,845.50	15,391.00	-	32,236.50
<b>Total Current Liabilities</b>	<b>\$ 16,994.93</b>	<b>\$ 45,932.76</b>	<b>\$ 6,189.00</b>	<b>\$ 69,116.69</b>
<b>Noncurrent Liabilities</b>				
Deposits payable	\$ 613.88	\$ (23.35)	\$ -	\$ 590.53
Noncurrent portion of long-term capital liabilities	115,862.07	2,051,832.34	39,048.16	2,206,742.57
Noncurrent portion of compensated absences	16,845.50	15,391.00	-	32,236.50
<b>Total Noncurrent Liabilities</b>	<b>\$ 133,321.45</b>	<b>\$ 2,067,199.99</b>	<b>\$ 39,048.16</b>	<b>\$ 2,239,569.60</b>
<b>Total Liabilities</b>	<b>\$ 150,316.38</b>	<b>\$ 2,113,132.75</b>	<b>\$ 45,237.16</b>	<b>\$ 2,308,686.29</b>
<b>NET ASSETS</b>				
<b>Government Wide Format:</b>				
Invested in capital assets, net of related debt	\$ 883,100.34	\$ 886,370.33	\$ 2,507,605.66	\$ 4,277,076.33
Restricted for replacement and depreciation	-	5,580.00	-	5,580.00
Restricted for debt service	-	111,456.00	-	111,456.00
Unrestricted	177,998.69	225,079.29	68,438.83	471,516.81
<b>Total Net Assets</b>	<b>\$ 1,061,099.03</b>	<b>\$ 1,228,485.62</b>	<b>\$ 2,576,044.49</b>	<b>\$ 4,865,629.14</b>

See accompanying notes to the financial statements

**Town of Stevensville**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended**  
**June 30, 2011**  
**Business-Type Activities**  
**Enterprise Funds**

	5210	5310	5610	
	Water	Sewer	Airport	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 375,194.86	\$ 216,331.21	\$ 18,552.30	\$ 610,078.37
Special assessments	-	196,982.22	-	196,982.22
Total Operating Revenues	<u>\$ 375,194.86</u>	<u>\$ 413,313.43</u>	<u>\$ 18,552.30</u>	<u>\$ 807,060.59</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 78,915.88	\$ 77,427.50	\$ 59.35	\$ 156,402.73
Supplies	25,984.79	12,295.75	399.61	38,680.15
Purchased services	42,590.31	63,759.89	2,586.48	108,936.68
Fixed charges	7,034.93	7,114.92	1,250.00	15,399.85
Depreciation	14,839.88	76,697.36	167,378.42	258,915.66
Total Operating Expenses	<u>\$ 169,365.79</u>	<u>\$ 237,295.42</u>	<u>\$ 171,673.86</u>	<u>\$ 578,335.07</u>
Operating Income (Loss)	<u>\$ 205,829.07</u>	<u>\$ 176,018.01</u>	<u>\$ (153,121.56)</u>	<u>\$ 228,725.52</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	515.44	208.43	-	723.87
Debt service interest expense	-	(82,396.68)	(1,870.70)	(84,267.38)
Total Non-Operating Revenues (Expenses)	<u>\$ 515.44</u>	<u>\$ (82,188.25)</u>	<u>\$ (1,870.70)</u>	<u>\$ (83,543.51)</u>
Income (loss) before contributions, transfers, special & extraordinary items	<u>\$ 206,344.51</u>	<u>\$ 93,829.76</u>	<u>\$ (154,992.26)</u>	<u>\$ 145,182.01</u>
Capital contributions	\$ 249,504.87	63,553.90	197,338.00	510,396.77
Transfers in	-	-	15,379.37	15,379.37
Change in net assets	<u>\$ 455,849.38</u>	<u>\$ 157,383.66</u>	<u>\$ 57,725.11</u>	<u>\$ 670,958.15</u>
Net Assets - Beginning of the year	518,639.80	1,299,377.63	2,508,706.44	4,326,723.87
Restatements	86,609.85	(228,275.67)	9,612.94	(132,052.88)
Net Assets - Beginning of the year - Restated	<u>\$ 605,249.65</u>	<u>\$ 1,071,101.96</u>	<u>\$ 2,518,319.38</u>	<u>\$ 4,194,670.99</u>
Net Assets - End of the year	<u>\$ 1,061,099.03</u>	<u>\$ 1,228,485.62</u>	<u>\$ 2,576,044.49</u>	<u>\$ 4,865,629.14</u>

See accompanying notes to the financial statements

**Town of Stevensville**  
**STATEMENT OF CASH FLOWS**  
**MAJOR PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**  
**Business-type Activities**

Description	5210 Water	5310 Sewer	5610 Airport	Total Major Business Type Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	389,806.19	486,360.17	44,492.15	920,658.51
Cash paid to suppliers	(184,601.58)	(82,958.80)	(4,236.09)	(271,796.47)
Cash paid to employees	(74,347.39)	(84,181.11)	(59.35)	(158,587.85)
Net cash provided (used) by operating activities	<u>130,857.22</u>	<u>319,220.26</u>	<u>40,196.71</u>	<u>490,274.19</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) other funds	-	-	15,379.37	15,379.37
Net cash provided (used) by noncapital financing activity activities	<u>-</u>	<u>-</u>	<u>15,379.37</u>	<u>15,379.37</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from debt	115,862.07	-	-	115,862.07
Purchases/acquisition/construction of capital assets	(397,412.26)	(450,656.82)	(202,457.77)	(1,050,526.85)
Principal on debt	-	(29,059.32)	(10,180.25)	(39,239.57)
Interest paid on debt	-	(82,396.68)	(1,870.70)	(84,267.38)
Proceeds from intergovernmental capital grants	249,504.87	-	197,338.00	446,842.87
Net cash provided (used) by capital and related financing activities	<u>(32,045.32)</u>	<u>(562,112.82)</u>	<u>(17,170.72)</u>	<u>(611,328.86)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	515.44	208.43	-	723.87
Net cash provided (used) by investing activities	<u>515.44</u>	<u>208.43</u>	<u>-</u>	<u>723.87</u>
Net increase (decrease) in cash and cash equivalents	<u>99,327.34</u>	<u>(242,684.13)</u>	<u>38,405.36</u>	<u>(104,951.43)</u>
<b>Cash and cash equivalents as of:</b>				
June 30, 2010	111,252.11	551,006.83	30,033.47	692,292.41
June 30, 2011	<u>210,579.45</u>	<u>308,322.70</u>	<u>68,438.83</u>	<u>587,340.98</u>
Operating income (loss)	205,829.07	176,018.01	(153,121.56)	228,725.52
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>				
Depreciation expense	14,839.88	76,697.36	167,378.42	258,915.66
(Increase) Decrease in accounts receivable	14,611.33	62,705.20	-	77,316.53
Increase (decrease) in accounts payable	149.43	211.76	-	361.19
Increase (decrease) in compensated absences pay.	4,568.49	(6,753.61)	-	(2,185.12)
Restatements	(109,140.98)	10,341.54	25,939.85	(72,859.59)
Total adjustments	<u>(74,971.85)</u>	<u>143,202.25</u>	<u>193,318.27</u>	<u>261,548.67</u>
Net cash provided (used) by operating activities	<u>130,857.22</u>	<u>319,220.26</u>	<u>40,196.71</u>	<u>490,274.19</u>

**Town of Stevensville  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$	171,181.19
Taxes and assessments receivable, net		981.48
Total receivables		<u>981.48</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>172,162.67</u></b>
 <b>LIABILITIES</b>		
Warrants payable	\$	57,206.23
Accounts payable		3,460.00
Due to other governments		110,514.96
Deferred revenue		981.48
<b>Total Liabilities</b>	<b>\$</b>	<b><u>172,162.67</u></b>
 <b>Net Assets</b>		
Held in trust for pension benefits and other purposes	\$	<u><u>-</u></u>

See accompanying notes to the financial statements

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town is a political subdivision of the State of Montana governed by a Mayor and Council duly elected by the registered voters of the City/Town. The Town utilizes the manger 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: None

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Discretely Presented Component Unit: None

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**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 ENDED  
June 30, 2011

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.

Building Code Enforcement Fund - A special revenue fund that accounts for all financial resources received and used for the purpose of building code enforcement of the Town.

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 accounts for charge for service and grant revenues as well as other miscellaneous revenues and the related expenses for the operation and maintenance of airport facilities.

Additionally, the government reports the following fund types:

Fiduciary Funds

Trust & Agency Funds - Used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These may include (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds and (d) agency funds.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.**

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments' enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the government's internal service funds are charges to customers for services provided. Operating expenses for enterprise funds and internal service funds include the cost of providing such services and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

The Town cash and cash equivalents are considered to be cash on hand, demand and savings deposits and short-term investments.

State statutes authorize the Town to invest in direct obligations of the U.S. Government, such as U.S. Treasury bills and notes and U.S. Government securities as defined by law, repurchase agreements and the State Short-Term Investment Pool (STIP)

Investments are reported at fair value. The State Short-Term Investment Pool operates in accordance with State laws and regulations and is administered by the State Department of Administration.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Advances between funds are not available for appropriation and are not expendable available financial resources.

Accounts receivables are shown net of allowance for uncollectibles. Property tax receivables are offset by deferred revenue accounts since they are not available to pay liabilities of the current period. All property tax levies are set at the time of the adoption of the annual budget. The real estate taxes are payable in two installments, the first due by November 30 and the second by May 31. Personal property taxes are assessed in April or May and are payable within 30 days of the issuance of the notice.

**3. Inventories and prepaid items**

All inventories are valued at cost. Inventories are recorded as expenditures when purchased (when consumed).

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

The Town had no inventories or prepaid items as of June 30, 2011

**4. Restricted assets**

Certain assets of the enterprise funds are restricted for specific use 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 and cash equivalents restricted for use to repay current debt, establish a reserve for future debt and the establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

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 Town as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three 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	<u>39</u>
Building improvements	<u>10-39</u>
Machinery & equipment	<u>7</u>
Infrastructure	<u>15-50</u>

**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**

See notes 'J' and 'K' for an explanation of the various classifications of fund balance on the governmental fund financial statements. Restricted fund balances/net assets are balances that are legally restricted by outside parties for use for a specific purpose.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

**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.

- 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.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

**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.

**B. Excess of expenditures over appropriations**

The following funds had expenditures that exceeded appropriations;  
Creekside Lighting #4 - a special revenue fund in the amount of \$215.  
DOT Grant for DUI Task Force-a special revenue fund in the amount of \$991.46.  
CDBG - ED/Saiway TIFID - a special revenue fund in the amount of \$12,408.72  
HB 645 MT Recovery Act-a special revenue fund in the amount of \$3,798.76  
Sidewalk Improvements Fund-a capital project fund in the amount of \$2,000

**C. Deficit fund equity**

The Town had no funds with deficit fund equity as of June 30, 2011.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

**4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of June 30, 2011, 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)		
Certificates of Deposits	\$ 441,006.50	
Certificates of Deposits held for others	\$ 113,014.89	
Total fair value	<u>\$ 554,021.39</u>	
Portfolio weighted average maturity		

*Interest rate risk.* The Town has no investment policy that would limit interest rate risk, however Management limits interest rate risk by varying the maturity dates for certificates of deposit.

*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's investments contain an element of concentration of credit risk since all of the investments represent over 26% of the Town's total cash. The Town does not further diversify investments because the investments are conservative and further diversification does not significantly reduce credit risk for the Town.

*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 negotiable securities are furnished, such securities 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 County/City/Town. Compliance with these statutes minimizes the Town's custodial credit risk.

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

The Town had no due from/advance to other funds and due to/advance from other funds as of June 30, 2011.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

4. DETAILED NOTES ON ALL FUNDS - cont.

C. **Capital assets**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	2,707.00			2,707.00
Construction in progress				-
Total capital assets not being depreciated	<u>2,707.00</u>	<u>-</u>	<u>-</u>	<u>2,707.00</u>
Capital assets being depreciated				
Buildings	427,934.46			427,934.46
Improvements other than buildings	102,762.80			102,762.80
Machinery and equipment				-
Infrastructure	<u>430,405.82</u>			<u>430,405.82</u>
Total capital assets being depreciated	<u>961,103.08</u>	<u>-</u>	<u>-</u>	<u>961,103.08</u>
Less accumulated depreciation for:				
Buildings	(283,435.16)	(10,110.72)		(293,545.88)
Improvements other than buildings	(43,269.31)	(4,336.70)		(47,606.01)
Machinery and equipment				-
Infrastructure	<u>(379,485.81)</u>	<u>(16,503.69)</u>		<u>(395,989.50)</u>
Total accumulated depreciation	<u>(706,190.28)</u>	<u>(30,951.11)</u>	<u>-</u>	<u>(737,141.39)</u>
Total capital assets being depreciated	<u>254,912.80</u>	<u>(30,951.11)</u>	<u>-</u>	<u>223,961.69</u>
Governmental activities capital assets net	<u>257,619.80</u>	<u>(30,951.11)</u>	<u>-</u>	<u>226,668.69</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	663,197.69			663,197.69
Construction in progress	<u>128,683.06</u>	<u>848,069.08</u>	<u>287,406.87</u>	<u>1,264,159.01</u>
Total capital assets not being depreciated	<u>791,880.75</u>	<u>848,069.08</u>	<u>287,406.87</u>	<u>1,927,356.70</u>
Capital assets being depreciated				
Buildings	155,977.00			155,977.00
Improvements other than buildings	2,547,143.52	202,457.77		2,749,601.29
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				-
General plant				-
Total capital assets being depreciated	<u>7,511,435.72</u>	<u>202,457.77</u>	<u>-</u>	<u>7,713,893.49</u>
Less accumulated depreciation for:				
Buildings	(80,909.95)	(3,999.41)		(84,909.36)
Improvements other than buildings	(787,651.74)	(154,077.34)		(941,729.08)
Machinery and equipment	(187,455.33)	(14,256.33)		(201,711.66)
Source of supply	(84,753.84)	-		(84,753.84)
Pumping plant	(18,900.00)	-		(18,900.00)
Treatment plant	(1,702,655.76)	(86,582.58)		(1,789,238.34)
Transmission and distribution				-
General plant				-
Prior year accumulated depreciation	<u>(2,862,326.62)</u>	<u>(258,915.67)</u>	<u>-</u>	<u>(3,121,242.29)</u>
Total accumulated depreciation	<u>(2,862,326.62)</u>	<u>(258,915.67)</u>	<u>-</u>	<u>(3,121,242.29)</u>
Total capital assets being depreciated	<u>4,649,109.10</u>	<u>(56,457.90)</u>	<u>-</u>	<u>4,592,651.20</u>
Business-Type activities capital assets net	<u>5,440,989.85</u>	<u>791,611.18</u>	<u>287,406.87</u>	<u>6,520,007.90</u>

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

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	\$	2,386.66
Public safety	\$	17,944.69
Public works	\$	7,740.80
Culture and recreation	\$	2,878.96
Total depreciation expense - governmental activities	\$	30,951.11
Business-type activities:		
Water utilities	\$	14,839.88
Sewer utilities	\$	76,697.36
Airport	\$	167,378.42
Total depreciation expense - business-type activities	\$	258,915.66

D. Operating leases

The Town has no operating leases as of June 30, 2011.

E. Long-term debt

The Town has assumed the following long-term debt:

1. General Obligation Bonds The Town had no General Obligation Bonds payable at June 30, 2011.

<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, 20</u>	<u>Annual serial payment</u>
<b>Total G.O. Bonds</b>						\$ -	\$ -



**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

4. DETAILED NOTES ON ALL FUNDS - cont.

E. Long-term debt - cont.

**2. Revenue Bonds** Revenue Bonds payable at June 30, 2011 are comprised of the following issues:

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding June 30, 2011	Annual serial payment
Sewer RUS #1	12/19/00	4.500%	40	5/19/40	\$ 1,250,000	1,099,261.77	67,500.00
Sewer RUS #2	12/19/00	4.500%	40	5/19/40	\$ 814,000	715,839.66	43,956.00
<b>Total Revenue Bonds</b>					<b>\$ 2,064,000</b>	<b>1,815,101.43</b>	<b>111,456.00</b>

**3. Special Assessment Bonds** The Town had no Special Assessment Bonds payable at June 30, 2011.

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding June 30, 2011	Annual serial payment
<b>Total Special Assessment Bonds</b>					<b>-</b>	<b>-</b>	<b>-</b>

**4. Contracts, Notes, or Loans**

Purpose	Original Amount	Date of Issue	Interest Rate	Outstanding 6/30/2011	Date of Last Payment
Water project-draws 1, 2, 3	115,862.07	4/8/2011	1.950%	\$ 115,862	
Sewer project-draw 1	266,730.92	7/15/2011	1.950%	\$ 266,731	
Montana Aeronautics #2	46,045.00	1/17/08	4.130%	\$ 32,231	
Montana Aeronautics #3 (10GL)	16,250.00	9/3/09	1.625%	\$ 13,006	
<b>Total Contracts, Notes, or Loans</b>	<b>444,887.99</b>			<b>\$ 427,830</b>	

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:

Whom leased to	Description of leased property	Duration of lease	Minimum annual payment

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

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

**Post Employment Benefits Other Than Pensions (OPEB)**  
The Town did not implemented GASB Statement 45 in fiscal year 2010.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

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
N/A				

\*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
General fund	3,242.18	to restate prior year expenditures
Capital Project (4000)	318,100.42	to restate prior year expenditures
Sidewalk Project (4001)	598.58	to restate prior year expenditures
Fire Engine (4002)	71,270.05	to restate prior year revenues
<b>Total Governmental Activities</b>	<b>393,211.23</b>	
Water fund	195,750.83	to restate prior year expenses
Water fund	(109,140.98)	to restate prior year expenses
Sewer fund	91,656.04	to restate prior year expenses
Sewer fund	(319,943.28)	to restate prior year expenses/revenues
Sewer fund	(1,160.97)	to restate prior year expenses
Sewer fund	1,172.54	to restate prior year expenses
Airport fund	25,939.85	to restate prior year expenses
Airport fund	(16,326.91)	to restate prior year ending balance of long-term debt
<b>Total Business-Type Activities</b>	<b>(132,052.88)</b>	
<b>Total</b>	<b>261,158.35</b>	

I. Pension and retirement plans

The entity participates in the Montana Public Employees Retirement System. 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 (City)	16,580.40	16,988.95	\$ 33,569.35
b. Sheriff's Retirement System (County)	0	0	\$ -
c. Teacher's Retirement System (County)	0	0	\$ -
d. MPORS (City)	0	0	\$ -
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>\$ -</b>

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

4. DETAILED NOTES ON ALL FUNDS - cont.

J. **Fund Balance/Net Assets**

**1. Fund Balance**

Statement No. 54, requires presentation of governmental fund balances by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate for the following fund balance classifications: non-spendable, restricted, committed, assigned and unassigned.

The non-spendable fund balance classification represents the portion of fund balances that cannot be spent either because it is not in spendable form such as inventories, the long-term portion of notes & loans receivable, land held for resale of which the future proceeds are not committed, and pre-paid expenses, or because of legal or contractual constraints such as the corpus of a permanent fund.

The restricted fund balance classification includes amounts that can be spent only for specific purposes which are externally imposed either by:

- a) providers such as creditors (such as through debt covenants), grantors, contributors, and laws and regulations of other governments; or
- b) imposed by law through constitutional provisions or enabling legislation.

The committed fund balance classification includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, Town Council through Resolution and does not lapse at year-end.

The assigned fund balance classification includes amounts that are intended to be used by the government for a specific purpose that do not meet the criteria to be classified as restricted or committed.

Assignments of fund balance may be created by the following designated individuals, positions or bodies:

\_\_\_\_\_  
\_\_\_\_\_

by means of the following procedure:  
*(Describe the procedure)*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

**2. Net Assets**

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

**Town of Stevensville**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

**4. DETAILED NOTES ON ALL FUNDS - cont.**

- K. Fund Balance Classifications** - GASB Statement No 54 requires presentation of specific purpose details by fund balance classification either on the face of the balance sheet-governmental funds, in the notes to the financial statements, or a combination of both.

Specific purposes details by fund balance classification are presented on the Balance Sheet-Governmental Funds.

**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

4. **DETAILED NOTES ON ALL FUNDS - cont.**

L. **Major Special Revenue Funds:**

The purpose of each major special revenue fund and revenue source(s) is listed below:

<b>Major Special Revenue Fund:</b>	<b>Revenue Source(s):</b>
Building Code Enforcement Fund	License and permit fees

M. **Spending policy:**

The Town receives inflows from revenue and other financial sources from numerous sources for use in the 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 or the default will apply if a policy has not been adopted:

- 1st: restricted
- 2nd: committed
- 3rd: assigned
- 4th: unassigned

The Town receives inflows from revenue and other financial sources from numerous sources for use in the Special Revenue, Debt Service and Capital Projects funds. These funds will expend those resources on the specific purpose of the fund.

The intention of this spending policy is to identify the expenditure order of resource categories for these Funds. 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 these funds, the following spending policy will apply or the default will apply if a policy has not been adopted:

- 1st: restricted
- 2nd: committed
- 3rd: assigned

N. **Minimum Fund Balance Policy:**

The Town County does not have a minimum fund balance policy in place.



**Town of Stevensville**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED**  
**June 30, 2011**

5. **BOC SUPPLEMENTAL 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
\$334,631

3. **Debt outstanding**

A. Long-term debt outstanding, issued and retired

Purpose	Bonds Outstanding July 1, 2010	Amount - Omit cents			
		Bonds during the fiscal year		Outstanding as of June 30, 2011	
		Issued	Retired	General Obligation	Revenue bonds
Water utility	19A	29A	39A	41A	44A
Sewer utility	1,845,333.29	29X	39X	41X	44X
			30231.86		1,815,101.43
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	61V	64V
Contracts payable		
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 - Omit cents
General fund (1000)	W61 \$ 256,727
Special revenue funds (2000)	W61 \$ 396,050
Debt Service funds (3000)	W01 \$ -
Capital projects funds (4000)	W31 \$ 439,571
Enterprise funds (5000)	W81 \$ 587,341
Internal services funds (6000)	\$ -
Trust and agency funds (7000)	\$ 171,181
Permanent funds (8000)	
<b>Total cash all funds</b>	<b>\$ 1,850,871</b>

Form BOC-1



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

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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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, 2011, 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 questioned costs, 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 questioned costs 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.

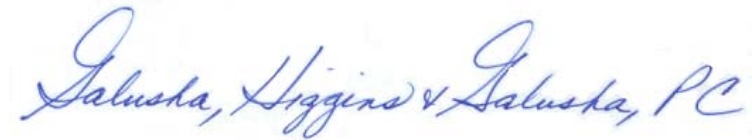


***Compliance and Other Matters***

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 blue ink that reads "Galusha, Higgins & Galusha, PC". The signature is written in a cursive, flowing style.

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

Helena, Montana  
February 21, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Town Council  
Town of Stevensville, Montana

**Compliance**

We have audited the compliance of the Town of Stevensville with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Town of Stevensville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Town of Stevensville's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance audit includes examining, on a test basis, evidence about the Town of Stevensville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the Town of Stevensville's compliance with those requirements.

## ***Opinion***

In our opinion, the Town of Stevensville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## ***Other Matter***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

## **Internal Control over Compliance**

The management of the Town of Stevensville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered Town of Stevensville's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Stevensville's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

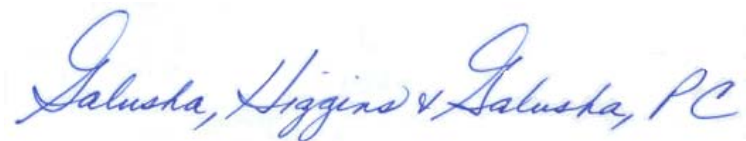
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

*A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Due to the broad scope of the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs considered to be material weaknesses, we did not consider any other deficiencies to be significant deficiencies.

The Town of Stevensville's responses to the findings identified in our compliance audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Stevensville's responses and, accordingly, we express no opinion on the responses.

***Restricted Use***

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Galusha, Higgins & Galusha, PC". The signature is written in a cursive, flowing style.

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

Helena, Montana  
February 21, 2014

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: disclaimer

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Type of auditor's report issued on compliance for major programs: qualified

Internal control over major program compliance:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster

10.760 – Water and Waste Disposal Systems for Rural Communities
---

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>    </u> 300,000 <u>    </u>
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## **Section II: Financial Statement Findings**

### **Finding 2011-1:**

*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, 2011, 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

## **Section III: Federal Awards Findings**

### **Finding 2011-2:**

*Federal Program:* CFDA 10.760—Water and Waste Disposal Systems for Rural Communities.

*Compliance Requirements:* Davis-Bacon Act.

*Type of Finding:* Material Noncompliance and Material Weakness.

*Criteria:* Program requirements state that projects funded under the federal program are required to pay prevailing wages to various types of skilled laborers.

*Condition:* For the year ended June 30, 2011, we reviewed a sample of transactions charged to the program and were not able to verify the wages paid for the project were in accordance with Davis-Bacon Act requirements. .

*Questioned Costs:* No specific questioned costs noted. Likely questioned costs may exceed \$10,000.

*Cause:* Accounting records kept by the Town for the period under audit were not complete and did not contain enough information to verify requirements were met.

*Effect or Potential Effect:* As a result, the Town may be subject to liability for any difference between actual wages paid and the wages that should have been paid under the Act.

*Recommendation:* The Town of Stevensville has previously identified the lack of appropriate accounting records as an issue which needed correction and has implemented steps to ensure proper documentation is kept for future periods. In addition, the Town should review the specific requirements of each federal or state award it receives and ensure that sufficient documentation is retained to verify compliance with those requirements.

*Responsible Official's Response and Corrective Action Planned:* In order for the Town to be compliant, for each project Mayor Gene Mim Mack has instructed the Town's supervising project engineers to do the following:

- A statement on your company letterhead which lays out the process you use to verify all contractor's and/or subcontractor's payrolls and the schedule of when and how you do your review
- A list of all wage rates paid by the contractor's and/or subcontractor's to Davis Bacon-eligible employees
- Included with each pay request is a statement by the supervising engineer certifying that they have verified all wages paid to contractors and/or subcontractors meet the Davis Bacon requirements

*Planned Implementation Date of Corrective Action:* Immediately.

*Person Responsible for Corrective Action:* Mayor.

### **Finding 2011-3:**

*Federal Program:* CFDA 10.760—Water and Waste Disposal Systems for Rural Communities.

*Compliance Requirements:* Allowable Costs.

*Type of Finding:* Material Noncompliance and Material Weakness.

*Criteria:* Office of Management and Budget (OMB) Circular A-87 requires that costs charged to federal programs are supported by appropriate documentation.

*Condition:* For the year ended June 30, 2011, we reviewed a sample of transactions charged to the program and noted that several of the invoices included in the sample did not contain documentation to support the Town's compliance with requirements for the program. Specifically, there were multiple cash disbursements noted that did not indicate who the amounts were paid to and several that were not supported by invoices. Town staff was able to provide documentation after the initial requests with the help of the parties involved in the transactions including the financial institution and vendor.

*Questioned Costs:* No known questioned costs noted because supporting documentation was able to be found. Likely questioned costs may exceed \$10,000.

*Cause:* Accounting records kept by the Town for the period under audit were not complete and did not contain enough information to verify requirements were met.

*Effect or Potential Effect:* As a result, the Town may be subject to liability for any questioned costs that federal granting agencies determine were not sufficiently supported.

*Recommendation:* The Town of Stevensville has previously identified the lack of appropriate accounting records as an issue which needed correction and has implemented steps to ensure proper documentation is kept for future periods. In addition, the Town should review the specific requirements of each federal or state award it receives and ensure that sufficient documentation is retained to verify compliance with those requirements.

*Responsible Official's Response and Corrective Action Planned:* 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 resulting in supporting documentation accompanying all claims paid by the Town
- Mayor agrees that audit A/P testing resulted in supporting documentation deficiencies and that when identified by the audit team. The Mayor is confident that the policies and procedures he put in place have corrected the previous deficiencies
- The Mayor has reviewed with Staff the specific requirements of federal and state award to ensure that sufficient documentation is retained to verify compliance with all award requirements going forward

*Planned Implementation Date of Corrective Action:* Immediately.

*Person Responsible for Corrective Action:* Mayor.



**TOWN OF STEVENSVILLE, MONTANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the fiscal year ended June 30, 2011*

Federal CFDA Number	Grantor Program Title	Grant/Contract Number	2011 Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<b>Passed through Montana DNRC</b>			
10.760	Water and Waste Disposal Systems for Rural Communities - Water Project		154,149
10.760	Water and Waste Disposal Systems for Rural Communities - Sewer Project		266,731
	<b>Total U.S. Department of Agriculture</b>		<u>420,880</u>
<b><u>U.S. Department of Transportation</u></b>			
<b>Passed through Montana Department of Transportation</b>			
20.106	Airport Improvement Program	AIP-3-30-0044-009-2011	197,338
	<b>Total U.S. Department of Transportation</b>		<u>197,338</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b>Passed through Montana Department of Commerce</b>			
14.239	Community Development Block Grant-HOME		1,030
14.218	Community Development Block Grant-ED / Selway TIFID		14,167
	<b>Total U.S. Department of Housing and Urban Development</b>		<u>15,197</u>
<b><u>U.S. Department of Justice</u></b>			
<b>Passed through Montana Department of Justice</b>			
16.71	Public Safety Partnership and Community Policing Grants - ARRA		1,128
	<b>Total U.S. Department of Justice</b>		<u>1,128</u>
<b><u>Department of Defense, Department of the Army, Office of the Chief of Engineers</u></b>			
12.121	Montana, Nevada, New Mexico, Utah, Idaho, & Wyoming Environmental Infrastructure (Section 595) - ARRA		179,505
	<b>Total Department of Defense</b>		<u>179,505</u>

See accompanying notes to the schedule.