

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Town of Stevensville

June 30, 2013

Town of Stevensville

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Stevensville, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stevensville, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Stevensville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stevensville, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

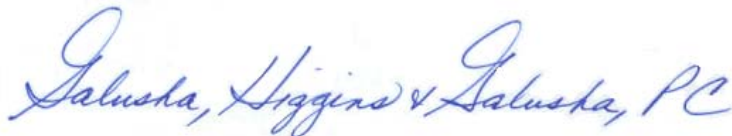
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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
June 16, 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 | Gene Mim Mack | 12/31/2013 |
| Councilperson/Commissioner | Bill Perrin | 12/31/2015 |
| Councilperson/Commissioner | Ron Kiaphake | 12/31/2015 |
| Councilperson/Commissioner | Desera Towle | 12/31/2013 |
| Councilperson/Commissioner | Robin Holcomb | 12/31/2013 |
| Councilperson/Commissioner | | |
| Councilperson/Commissioner | | |
| Councilperson/Commissioner | | |
| City manager | | |
| Attorney | Brian West | 6/30/2014 |
| Chief of police | James Marble | n/a |
| Clerk | Stacy Bartlett | n/a |
| Clerk/Treasurer | Stephanie D. Mapelli | n/a |
| City Judge | Martha Birkeneder | 6/30/2014 |
| City Services Supervisor | Ed Sutherlin | n/a |
| Utility billing/collection clerk | Denise Philley | n/a |
| Water/Sewer Supervisor | George Thomas | n/a |

In accordance with State law, I hereby transmit the
Town of Stevensville
Annual Financial Report for the fiscal year ended
June 30, 2013

Respectfully submitted;

Town Mayor

Date



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

The management discussion and analysis of the Town of Stevensville offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Stevensville's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Stevensville.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's Net Position and how they have changed. Net Positions are the difference between the Town's total assets and total liabilities. Measuring Net Position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Stevensville.

The government-wide financial statements are on pages 22-23 of this report.

Fund Financial Statements

The next statements on pages 24-29 are Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stevensville like all other governmental entities in Montana uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Stevensville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Stevensville adopts an annual budget for its governmental funds, and a budget for its proprietary funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund, IP Settlement Fund & ED Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting which is the modified accrual basis and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the Fund; and 4) the difference or variance between the final budget and the actual resources and charges.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Proprietary Funds

The Town of Stevensville has two enterprise funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Stevensville uses enterprise funds to account for its water and sewer services. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds

The Town of Stevensville has one fiduciary fund. Fiduciary funds are trust or 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. The Town uses fiduciary funds to account for court bonds and fire relief pension.

Notes to the Financial Statements

The next section of the basic financial statements is the notes (pages 32 - 44). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by statutes also can be found in this part of the statements.



**Town of Stevensville
Management Discussion and Analysis
for the Fiscal Year ending June 30, 2013**

Government-Wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Stevensville, assets exceeded liabilities by \$8,123,817 at year ended June 30, 2013.

Town of Stevensville Net Position

| | Governmental Activities | | Business -type Activities | | Total | |
|----------------------------------|----------------------------|--------------------|------------------------------|---------------------|---------------------|---------------------|
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| Assets | | | | | | |
| Current assets | \$1,166,925 | \$1,217,469 | \$1,093,214 | \$1,411,788 | \$2,260,139 | \$2,629,257 |
| Non-current assets | \$199,552 | \$316,761 | \$8,259,766 | \$8,767,547 | \$8,459,318 | \$9,084,307 |
| Total Assets | <u>\$1,366,477</u> | <u>\$1,534,230</u> | <u>\$9,352,980</u> | <u>\$10,179,334</u> | <u>\$10,719,457</u> | <u>\$11,713,565</u> |
| Liabilities | | | | | | |
| Current liabilities | \$41,502 | \$35,321 | \$88,361 | \$1,010,627 | \$129,863 | \$1,045,948 |
| Non-current liabilities | \$29,375 | \$13,684 | \$3,332,418 | \$2,530,115 | \$3,361,793 | \$2,543,799 |
| Total Liabilities | <u>\$70,877</u> | <u>\$49,005</u> | <u>\$3,420,779</u> | <u>\$3,540,742</u> | <u>\$3,491,656</u> | <u>\$3,589,747</u> |
| Net Position | | | | | | |
| Net investment in capital assets | \$199,552 | \$316,761 | \$4,792,711 | \$5,151,668 | \$4,992,263 | \$5,468,428 |
| Restricted | \$391,281 | \$413,214 | \$113,136 | \$188,496 | \$504,417 | \$601,710 |
| Unrestricted | \$1,295,600 | \$755,250 | \$5,932,201 | \$1,298,429 | \$1,670,281 | \$2,053,679 |
| Total Net Position | <u>\$1,295,600</u> | <u>\$1,485,225</u> | <u>\$5,932,201</u> | <u>\$6,638,593</u> | <u>\$7,227,801</u> | <u>\$8,123,817</u> |



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

The Town of Stevensville's investment in capital assets (e.g. land, buildings, equipment, water and wastewater infrastructure), less any related debt used to acquire those assets that is still outstanding is a large portion of the Town's Net Position. The Town of Stevensville uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although, the Town of Stevensville's investment in its capital is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town capitalizes new streets, sidewalks, curbs, gutters and storm drains that are dedicated to the town from new development (i.e. subdivisions). The Town of Stevensville will not retroactively capitalize intangible assets, such as easements, right-of-ways, licenses, permits, computer software, websites, land use rights, etc. at the present time.

Unrestricted assets may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets include cash, cash equivalents, taxes receivables, accounts receivables, and other receivables.

The Town of Stevensville has outstanding debt (e.g. general obligation bonds, loans, contracts) in the governmental activities. Included in this debt is a MT Board of Investments INTERCAP loan totaling \$877,221 for interim financing for the water system improvement project. This interim financing will be converted into a bond at the conclusion of the project.

The governmental funds have total Net Position of \$1,485,225. Included within the total Net Position are fund balances totaling \$755,250 for the year ending June 30, 2013, which is available for future spending. The unrestricted fund balances may be used to meet the government's ongoing obligations to citizens and creditors.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Business-type activities

The total Net Position of the Town of Stevensville water and wastewater utility, reported as business-type activities, increased by \$826,354. The investment in capital assets net of related debt decreased \$303,295, due to existing water system debt, and annual loan sewer bond debt payments. The unrestricted Net Position increased \$332,915. The increase in unrestricted Net Position is from transfers to sewer replacement and depreciation funds for future projects, an increase in compensated absences and an increase in OPEB, sewer debt reduction, an increase in accounts receivables.

Governmental activities

Governmental activities increased the Town of Stevensville's Net Position by \$167,753. The Town's total program expenses exceeded total governmental revenues by \$44,733 led by a decrease in taxes receivable. This is considered an anomaly and not to be construed as a trend. The Town drew on its more than adequate cash reserves to fund the shortfall and will rebuild the cash reserves to previous levels in the coming fiscal year.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

| Town of Stevensville's CHANGES IN NET POSITION - Revenue | | | | | | |
|--|----------------------------|------------------|-----------------------------|--------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| General Revenues | | | | | | |
| Property taxes | \$263,677 | \$267,102 | | | \$263,677 | \$267,102 |
| Local option tax | \$44,425 | \$43,922 | | | \$44,425 | \$43,922 |
| Program Revenues | | | | | | |
| Charges for Services | \$73,577 | \$92,424 | \$914,628 | \$953,731 | \$988,205 | \$1,046,155 |
| Licenses and permits | \$6,791 | \$8,029 | | | \$6,791 | \$8,029 |
| Unrestricted Fed/State shared revenues | \$165,428 | \$177,357 | | | \$165,428 | \$177,357 |
| Unrestricted investment earnings | \$14,839 | \$2,051 | \$4,720 | \$3,270 | \$19,559 | \$5,321 |
| Misc. Operating grants & contributions | \$9,198 | \$13,551 | \$300 | \$1,978 | \$9,498 | \$15,529 |
| Capital grants & contributions | \$37,585 | \$39,389 | \$955,060 | \$0 | \$992,645 | \$39,389 |
| | \$105,165 | \$0 | \$0 | \$591,165 | \$105,165 | \$591,165 |
| Total Revenues | <u>\$720,685</u> | <u>\$643,825</u> | <u>\$1,874,708</u> | <u>\$1,550,144</u> | <u>\$2,595,393</u> | <u>\$2,193,969</u> |



**Town of Stevensville
Management Discussion and Analysis
for the Fiscal Year ending June 30, 2013**

Town of Stevensville's CHANGES IN NET POSITION - Expenses

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|------------------|-----------------------------|------------------|--------------------|--------------------|
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| Expenses | | | | | | |
| General | | | | | | |
| Government | \$195,919 | \$157,279 | | | \$195,919 | \$157,279 |
| Public safety | \$331,377 | \$244,630 | | | \$331,377 | \$244,630 |
| Public works | \$122,185 | \$120,457 | | | \$122,185 | \$120,457 |
| Culture & Recreation | \$34,633 | \$33,523 | | | \$34,633 | \$33,523 |
| Housing/ Community Development | \$1,407 | \$0 | | | \$1,407 | \$0 |
| Miscellaneous | \$20,700 | \$855 | | | \$20,700 | \$855 |
| Water | | | \$226,624 | \$240,901 | \$559,624 | \$240,901 |
| Sewer | | | \$391,483 | \$418,449 | \$391,483 | \$418,449 |
| Airport | | | \$192,969 | \$184,402 | \$192,969 | \$184,402 |
| Total Expenses | <u>\$706,221</u> | <u>\$556,744</u> | <u>\$811,076</u> | <u>\$843,752</u> | <u>\$1,517,297</u> | <u>\$1,400,496</u> |
| Change in Net Position | \$14,464 | \$87,081 | \$1,063,632 | \$706,392 | \$1,078,096 | \$793,473 |
| Net Position July 1, 2012 | \$1,295,600 | | \$5,932,201 | | \$7,227,801 | |
| Restatements Net Position | -\$8,554 | \$102,545 | \$2,940 | \$0 | -\$5,614 | \$102,545 |
| June 30, 2013 | | \$1,485,226 | | \$6,638,593 | | \$8,123,819 |



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

The cost of all governmental activities this year was \$556,744. Property taxes, Federal/State shared revenue accounted for the majority of the revenues used to finance governmental activities. The cost of FY 12-13 governmental activities decreased \$26,501 from FY 11-12 due to cost cutting measures implemented by Town management.

The cost of business-type activities this year was \$843,752. Charges for services accounted for the majority of the revenues used to finance business-type activities. The cost of FY 12-13 business-type activities decreased \$32,676 due to efficiencies implemented by Town management.

Capital grants and contributions for ongoing water & sewer improvement projects totaled \$591,165. This is a decrease over FY 11-12 driven by two facts: (1) the first phase of the sewer improvement project was winding down and (2) the airport gas line relocation project was completed in FY 11-12.

The Town had a stronger net asset position at the end of FY 12-13 as the aforementioned completed sewer and airport projects became assets instead of construction in progress.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Town of Stevensville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Stevensville's financing requirements.

As of June 30, 2013, the Town of Stevensville's governmental funds reported combined fund balances of \$1,175,235, an increase of \$42,523 in comparison with the prior year.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Of these fund balances \$842,084 or approximately 72% was restricted or committed to specific types of activities i.e. \$394,638 for capital projects and \$34,232 for general government fund activities (Insurances, PERS, etc), \$50,277 for public safety, and \$271,644 for public works.

The General Fund is the chief operating fund of the Town of Stevensville. As of June 30, 2013, the fund balance of the general fund was \$333,151. This unreserved balance is budgeted as cash available in 2013-2014 and represents approximately 64% of the total budgeted requirements of the general fund expenditures. The fund balance increased by \$72,162 in fiscal year 2012-2013. Actual expenses were less than budgeted by approximately 9% or \$44,722.

The Town of Stevensville does not have a *debt service fund*. The Town of Stevensville does not have any general obligation bonds outstanding (which would be paid by property taxes) at the present time.

The Capital Improvement Fund provides funding for capital projects (land purchase, equipment, construction of building, etc) of the Town of Stevensville, which are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The total fund balance as of June 30, 2013, is \$541,886. The major expenditures out of the capital improvement fund were planned for and budgeted \$35,000 expenditure to replace a police vehicle and \$6,142 to purchase a thermal imaging camera for the fire department.

The Town of Stevensville does not have Internal Service Funds or Permanent Funds.

The Town of Stevensville maintains one Fiduciary Fund for the Firemen's Relief Association of the Town of Stevensville. This fund receives revenue from intergovernmental funds. The funds are received and disbursed to the Stevensville Volunteer Firemen's Relief Association on a quarterly basis. The Association has their own governing board.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

Proprietary Fund

The Town of Stevensville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. No property tax revenue was used to support business-type activities.

Net Position of the water and wastewater (sewer) utilities and Airport as of June 30, 2013 were \$10,179,334 an \$826,356 increase over fiscal year 2011-2012.

The water utility Net Position was \$3,372,418, an increase from the previous year of \$932,725. The increase in the water Net Position is primarily from the reduction of the water system debt, and the increase of cash in replacement and depreciation fund.

The wastewater (sewer) utility Net Position was \$4,405,060, an increase from the previous year of \$95,624. The increase in the wastewater (sewer) Net Position is primarily from the reduction of the sewer system debt, the increase in the replacement and depreciation reserve, and depreciation.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 28 - 30 of this report.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

General Fund Budgetary Highlights

Budgets are adopted at the department level of expenditures. Differences between the original budget and the final amended budget were relatively minor.

Capital Asset and Debt Administration

Capital Assets

The Town of Stevensville's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$5,074,471.74 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, construction in progress, source of supply, transmission and distribution and general plant. Land is not depreciated. The total increase in the Town of Stevensville's investment in capital assets for the current fiscal year was a total of \$297,761.99 or a 6.23% increase.



**Town of Stevensville
Management Discussion and Analysis
for the Fiscal Year ending June 30, 2013**

Town of Stevensville's Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|-----------------|---------------------|---------------------|
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| Land | \$ 2,707 | \$0 | \$663,198 | \$0 | \$665,905 | \$665,905 |
| Buildings | \$427,934 | \$0 | \$155,977 | \$0 | \$583,911 | \$583,911 |
| Improvements other than buildings | \$102,763 | \$6,242 | \$2,853,979 | \$0 | \$2,956,742 | \$2,962,983 |
| Machinery & equipment | \$537,475 | \$46,113 | \$354,532 | \$0 | \$537,475 | \$583,587 |
| Construction in progress | \$0 | \$0 | \$237,415 | \$796,556 | \$237,415 | \$1,033,971 |
| Source of supply Pumping Plant | | | \$84,754 | \$0 | \$84,754 | \$84,754 |
| Transmission & distribution Treatment Plant | | | \$18,900 | \$0 | \$18,900 | \$18,900 |
| | | | \$1,360,916 | \$0 | \$1,360,916 | \$1,360,916 |
| | | | \$5,806,292 | \$16,967 | \$5,806,292 | \$5,523,259 |
| Total Capital Assets | <u>\$1,068,172</u> | <u>\$52,355</u> | <u>\$10,635,350</u> | <u>\$16,967</u> | <u>\$11,703,522</u> | <u>\$11,772,844</u> |
| Less Accumulated Depreciation | (871,327) | (37,932) | (3,450,173) | (330,762) | (4,321,500) | (3,818,867) |
| Capital Assets net of depreciation | | | <u>\$7,185,177</u> | | <u>\$7,382,022</u> | <u>\$8,085,790</u> |



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

As mentioned earlier, the Town does not capitalize the current streets. The Town capitalizes new streets, sidewalks, curbs, gutters, and storm drains at the time of construction or reconstruction of the existing streets, sidewalks, curbs, gutters, and storm drains. The Town capitalizes new streets, sidewalks, curbs, gutters and storm drains that are dedicated to the town from new development (i.e. subdivisions).

The Town of Stevensville does not retroactively capitalize intangible assets, such as easements, right-of-ways, licenses, permits, computer software, websites, land use rights, etc. at the present time. The Town of Stevensville capitalizes intangible assets, such as easements, right-of-way easements, licenses, permits, computer software, websites, land use rights, etc.

The ongoing water and sewer improvement projects were the additions to the Town of Stevensville's capital assets in business-type fund activities. The expenses for these projects are reported in construction in progress. Both projects will be capitalized at the date of their completion.

Capital Asset and Debt Administration

Long-term Debt

At the end of the current fiscal year, the Town of Stevensville has a total bonded debt outstanding of \$2,517,384 entirely backed by the revenues of the sewer utility. The outstanding debt for the wastewater utilities decreased \$326,616 for the fiscal year ended June 30, 2013.

The Town of Stevensville does not have any water utility bonded debt. The Town of Stevensville does have an INTERCAP Interim financing loan in the business-type activities for ongoing water system improvement project in the amount of \$877,221.



**Town of Stevensville
Management Discussion and Analysis
for the Fiscal Year ending June 30, 2013**

The Town of Stevensville has two outstanding loans to the Montana Department of Aeronautics in the amount of \$62,295. These loans are 10 year notes; the first is due in 2018 with an outstanding balance at the end of the fiscal year of \$46,045 at a 4.13% rate of interest. The 2nd loan is due in 2019 with an outstanding balance of \$16,250 at a 1.625% rate of interest. These obligations are paid from airport charges for service and airport reserve funds.

The Town of Stevensville does not have any general obligation bonds as of June 30, 2013.

Town of Stevensville's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|----------------------------|---------|-----------------------------|--------------------|--------------------|--------------------|
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| Water revenue bonds | | | \$0 | \$0 | \$0 | \$0 |
| Sewer revenue bonds | | | \$2,560,410 | \$2,517,384 | \$2,560,410 | \$2,517,384 |
| Total | | | <u>\$2,560,410</u> | <u>\$2,517,384</u> | <u>\$2,560,410</u> | <u>\$2,517,384</u> |

Town of Stevensville's Outstanding Contracts, Notes or Loans Payable

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------|-----------------------------|------------------|------------------|------------------|
| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
| INTERCAP loan water utility MT Aeronautics | | | \$693,655 | \$877,221 | \$693,655 | \$877,221 |
| Total | | | <u>\$732,657</u> | <u>\$909,994</u> | <u>\$732,657</u> | <u>\$909,994</u> |



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

The INTERCAP loan is the interim financing loan for the water system improvement project. Upon completion of the water project, USDA Rural Development will pay off the interim financing loan. The debt will then be converted to a water revenue bond supported by water utility charges.

Other obligations include accrued vacation leave and sick leave and other post employment benefits (OPEB). These are accounted for in the Long-term Debt Accounts. The Net change in Compensated Absences and OPEB is reflected in the statement of activities in department expenses. Compensated Absences are reported as the actual amount accrued as of June 30, 2013.

The Town's Future

The Town government officials have taken prudent steps to ensure town services are adequately provided to the citizens of Stevensville. They discuss and review the budget prior to adoption; they analyze revenue compared to expenditures, and we have an adopted rolling five-year capital improvements plan in place.

Two major projects are planned in the Stevensville Roads & Streets Department:

1. The Town will undertake a major repaving project in FY 13-14. This project will be funded through gas tax monies.

2. Sidewalk repairs are also planned for this next fiscal year, funded through a combination of capital assets set aside for sidewalk repair and homeowner funds as provided by Ordinance #138, approved by the Council on April 25, 2013

Phase 2 of the sewer project in the TIFD will be completed in FY 13-14. Phase 3 wastewater treatment plant (the headworks and nutrient removal project) will commence in FY 13-14. Future capital outlays for this project will be covered by a combination of loans & grants.

The water line improvement project will be completed in FY 13-14 and the four new wells will also be online and operational in FY 13-14. The last phase of the water system improvement project (storage tank) will commence in 2016. Future capital outlays for this project will be covered by combination of loans & grants.



Town of Stevensville Management Discussion and Analysis for the Fiscal Year ending June 30, 2013

The airport taxi lane extension project was completed in this fiscal year. The primary purpose of the taxi lane expansion project was to open up an area for future expansion which gives the Town an area that will accommodate two eight pack t-hangars as well as seven new lots for commercial use. Capital outlay for this project was a combination of loans & grants from Montana Department of Aeronautics with loan payments funded through airport user charges for service.

The Town continues to partner with the Stevensville Main Street Association (SMSA) for the purpose of strengthening diversified industries, supporting thriving commercial centers while maintaining a traditional, rural, high quality lifestyle. SMSA brings a wealth of knowledge and experience to the city and serves as an invaluable resource.

The Town's rolling five-year Capital improvement Plan (CIP) serves as a planning tool, addresses our infrastructure and capital needs now and into the future. Town Hall facility, fire, police, water, and sewer departments, parks & recreation, cemetery, streets/alleys, and airport needs are identified in the CIP. The CIP includes five years of capital needs and will be updated on an annual basis.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Stephanie D. Mapelli, Treasurer
Stephanie@townofstevensville.com
406.777.5271 x3

Town of Stevensville
STATEMENT OF NET POSITION
June 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 1,194,992 | \$ 1,286,909 | \$ 2,481,901 |
| Taxes and assessments receivable, net | 20,597 | - | 20,597 |
| Accounts receivable - net | - | 85,040 | 85,040 |
| Current portion of notes and loans receivable | 1,880 | - | 1,880 |
| Due to other governments | - | 39,838 | 39,838 |
| Total current assets | <u>\$ 1,217,469</u> | <u>\$ 1,411,788</u> | <u>\$ 2,629,257</u> |
| Noncurrent assets: | | | |
| Restricted cash and investments | - | 188,496 | 188,496 |
| Capital assets - land | 2,707 | 663,198 | 665,905 |
| Capital assets - construction in progress | - | 1,033,971 | 1,033,971 |
| Capital assets - net of depreciation | 314,054 | 6,881,882 | 7,195,936 |
| Total noncurrent assets | <u>\$ 316,761</u> | <u>\$ 8,767,547</u> | <u>\$ 9,084,307</u> |
| Total assets | <u>\$ 1,534,230</u> | <u>\$ 10,179,334</u> | <u>\$ 11,713,565</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 19,373 | \$ 44,614 | \$ 63,986 |
| Accrued interest payable | - | 16,052 | 16,052 |
| Current portion of long-term capital liabilities | - | 923,910 | 923,910 |
| Current portion of compensated absences payable | 13,684 | 26,052 | 39,736 |
| Due to others | \$ 2,265 | \$ - | \$ 2,265 |
| Total current liabilities | <u>\$ 35,321</u> | <u>\$ 1,010,627</u> | <u>\$ 1,045,948</u> |
| Noncurrent liabilities: | | | |
| Deposits payable | \$ - | \$ 591 | \$ 591 |
| Noncurrent portion of long-term capital liabilities | - | 2,503,473 | 2,503,473 |
| Noncurrent portion of compensated absences | 13,684 | 26,052 | 39,736 |
| Total noncurrent liabilities | <u>\$ 13,684</u> | <u>\$ 2,530,115</u> | <u>\$ 2,543,799</u> |
| Total Liabilities | <u>\$ 49,005</u> | <u>\$ 3,540,742</u> | <u>\$ 3,589,747</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 316,761 | \$ 5,151,668 | \$ 5,468,428 |
| Restricted for: | | | |
| Replacement and depreciation | - | 72,000 | 72,000 |
| Debt service | - | 116,496 | 116,496 |
| Public safety | 50,277 | - | 50,277 |
| Public works | 271,644 | - | 271,644 |
| Housing & community development | 91,292 | - | 91,292 |
| Unrestricted | 755,250 | 1,298,429 | 2,053,679 |
| Total net position | <u>\$ 1,485,225</u> | <u>\$ 6,638,593</u> | <u>\$ 8,123,817</u> |
| Total liabilities and net position | <u>\$ 1,534,230</u> | <u>\$ 10,179,334</u> | <u>\$ 11,713,565</u> |

See accompanying notes to the financial statements.

Town of Stevensville
STATEMENT OF ACTIVITIES
June 30, 2013

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position Primary Government | | |
|---|------------------|-------------------------|--|--|--|-----------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 157,279 | \$ 21,457 | \$ - | \$ - | \$ (135,822) | \$ - | \$ (135,822) |
| Public safety | 244,630 | 17,039 | 8,832 | - | (218,759) | - | (218,759) |
| Public works | 120,457 | 27,199 | 30,557 | - | (62,701) | - | (62,701) |
| Culture and recreation | 33,523 | 26,729 | - | - | (6,795) | - | (6,795) |
| Miscellaneous | 855 | - | - | - | (855) | - | (855) |
| Unallocated depreciation * | - | - | - | - | (0) | - | (0) |
| Total Governmental Activities | \$ 556,744 | \$ 92,424 | \$ 39,389 | \$ - | \$ (424,931) | \$ - | \$ (424,931) |
| Business-type activities: | | | | | | | |
| Water | \$ 240,901 | \$ 458,661 | \$ - | \$ 489,670 | \$ - | \$ 707,430 | \$ 707,430 |
| Sewer | 418,449 | 479,205 | - | 101,495 | - | 162,250 | 162,250 |
| Airport | 184,402 | 15,865 | - | - | - | (168,536) | (168,536) |
| Total business-type activities | 843,752 | 953,731 | - | 591,165 | - | 701,144 | 701,144 |
| Total primary government | \$ 1,400,496 | \$ 1,046,155 | \$ 39,389 | \$ 591,165 | \$ (424,931) | \$ 701,144 | \$ 276,213 |
| General Revenues: | | | | | | | |
| Property taxes for general purposes | | | | | \$ 267,102 | \$ - | \$ 267,102 |
| Local option tax | | | | | 43,922 | - | 43,922 |
| Permits & Licenses | | | | | 8,029 | - | 8,029 |
| Unrestricted Federal/State shared revenues | | | | | 177,357 | - | 177,357 |
| Unrestricted investment earnings | | | | | 2,051 | 3,270 | 5,321 |
| Miscellaneous | | | | | 13,551 | 1,978 | 15,529 |
| Total general revenues, special items and transfers | | | | | \$ 512,012 | \$ 5,248 | \$ 517,260 |
| Change in net position | | | | | \$ 87,081 | \$ 706,392 | \$ 793,473 |
| Net position - beginning | | | | | \$ 1,295,600 | \$ 5,932,201 | \$ 7,227,801 |
| Restatements | | | | | 102,545 | - | 102,545 |
| Net position - beginning - restated | | | | | \$ 1,398,145 | \$ 5,932,201 | \$ 7,330,346 |
| Net position - ending | | | | | \$ 1,485,226 | \$ 6,638,593 | \$ 8,123,819 |

See accompanying notes to the financial statements.

Town of Stevensville
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|-------------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 340,840 | \$ 854,152 | \$ 1,194,992 |
| Taxes and assessments receivable, net | 20,271 | 326 | 20,597 |
| Current portion of notes and loans receivable | - | 1,880 | 1,880 |
| Total Current Assets | <u>\$ 361,112</u> | <u>\$ 856,358</u> | <u>\$ 1,217,469</u> |
| Total Assets | <u>\$ 361,112</u> | <u>\$ 856,358</u> | <u>\$ 1,217,469</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 5,425 | \$ 13,947 | \$ 19,373 |
| Deferred revenue | 20,271 | 326 | 20,597 |
| Due to others | 2,265 | - | 2,265 |
| Total Current Liabilities | <u>\$ 27,961</u> | <u>\$ 14,274</u> | <u>\$ 42,235</u> |
| Total Liabilities | <u>\$ 27,961</u> | <u>\$ 14,274</u> | <u>\$ 42,235</u> |
| Fund Balances | | | |
| Restricted for: | \$ - | \$ - | \$ - |
| Public safety | - | 50,277 | 50,277 |
| Public works | - | 271,644 | 271,644 |
| Housing & community development | - | 91,292 | 91,292 |
| Assigned to: | - | - | - |
| General government | - | 34,232 | 34,232 |
| Capital projects | - | 394,638 | 394,638 |
| Unassigned | 333,151 | - | 333,151 |
| Total Fund Balance | <u>\$ 333,151</u> | <u>\$ 842,084</u> | <u>\$ 1,175,235</u> |
| Total liabilities and fund balance | <u>\$ 361,112</u> | <u>\$ 856,358</u> | <u>\$ 1,217,469</u> |

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, 2013

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| REVENUES | | | |
| Taxes and assessments | \$ 294,905 | \$ 32,162 | \$ 327,067 |
| Licenses and permits | 4,404 | 12,289 | 16,693 |
| Intergovernmental | 185,422 | 34,358 | 219,779 |
| Charges for services | 44,249 | 2,213 | 46,461 |
| Fines and forfeitures | 19,119 | - | 19,119 |
| Miscellaneous | 14,142 | - | 14,142 |
| Investment earnings | 483 | 1,568 | 2,051 |
| Total revenues | <u>\$ 562,724</u> | <u>\$ 82,588</u> | <u>\$ 645,313</u> |
| EXPENDITURES | | | |
| General government | \$ 154,769 | \$ 9,180 | \$ 163,949 |
| Public safety | 215,994 | 14,203 | 230,198 |
| Public works | 80,932 | 41,726 | 122,658 |
| Culture and recreation | 32,534 | - | 32,534 |
| Miscellaneous | 855 | - | 855 |
| Capital outlay | - | 52,355 | 52,355 |
| Total expenditures | <u>\$ 485,084</u> | <u>\$ 117,464</u> | <u>\$ 602,549</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 77,640</u> | <u>\$ (34,876)</u> | <u>\$ 42,764</u> |
| Net change in fund balance | <u>\$ 77,640</u> | <u>\$ (34,876)</u> | <u>\$ 42,764</u> |
| Fund balances - beginning | \$ 255,751 | \$ 876,960 | \$ 1,132,712 |
| Restatements | (241) | - | (241) |
| Fund balances - beginning restated | <u>\$ 255,511</u> | <u>\$ 876,960</u> | <u>\$ 1,132,471</u> |
| Fund balances - ending | <u>\$ 333,151</u> | <u>\$ 842,084</u> | <u>\$ 1,175,235</u> |

See accompanying notes to the financial statements.

Town of Stevensville
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2013

| | | |
|---|-----------|------------------|
| Total fund balances - governmental funds | \$ | 1,175,235 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 316,761 |
| Other assets are not available for current-period expenditures and, therefore, are deferred in the funds | | 20,597 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | (27,368) |
| Total net position - governmental activities | <u>\$</u> | <u>1,485,225</u> |

See accompanying notes to the financial statements.

Town of Stevensville
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNEMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended
June 30, 2013

| | | |
|--|-----------|---------------|
| Net change in fund balances - total governmental funds | \$ | 42,764 |
| 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 | | 52,355 |
| - Depreciation expense | | (37,932) |
| 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) | | (1,489) |
| 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 | | 31,382 |
| Change in net position - Statement of Activities | \$ | 87,080 |

See accompanying notes to the financial statements.

Town of Stevensville
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

| Business-Type Activities | | | | |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| Enterprise Funds | | | | |
| | 5210 | 5310 | 5610 | |
| | Water | Sewer | Airport | Totals |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 859,321 | \$ 356,595 | \$ 70,993 | \$ 1,286,909 |
| Accounts receivable - net | 15,943 | 69,098 | - | 85,040 |
| Due from other governments | 39,838 | - | - | 39,838 |
| Total Current Assets | <u>\$ 915,102</u> | <u>\$ 425,693</u> | <u>\$ 70,993</u> | <u>\$ 1,411,788</u> |
| Noncurrent Assets | | | | |
| Restricted cash and investments | \$ - | \$ 188,496 | \$ - | \$ 188,496 |
| Capital assets - land | 49,008 | 16,627 | 597,563 | 663,198 |
| Capital assets - construction in progress | 881,881 | 122,813 | 29,277 | 1,033,971 |
| Capital assets - net of depreciation | 1,526,428 | 3,651,430 | 1,704,024 | 6,881,882 |
| Total Noncurrent Assets | <u>\$ 2,457,316</u> | <u>\$ 3,979,367</u> | <u>\$ 2,330,864</u> | <u>\$ 8,767,547</u> |
| Total Assets | <u><u>\$ 3,372,418</u></u> | <u><u>\$ 4,405,060</u></u> | <u><u>\$ 2,401,857</u></u> | <u><u>\$ 10,179,334</u></u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 41,965 | \$ 2,293 | \$ 355 | \$ 44,614 |
| Accrued interest payable | 16,052 | - | - | 16,052 |
| Current portion of long-term capital liabilities | 877,221 | 40,500 | 6,189 | 923,910 |
| Current portion of compensated absences payable | 13,814 | 12,176 | 62 | 26,052 |
| Total Current Liabilities | <u>\$ 949,052</u> | <u>\$ 54,968</u> | <u>\$ 6,606</u> | <u>\$ 1,010,627</u> |
| Noncurrent Liabilities | | | | |
| Deposits payable | \$ 614 | \$ (23) | \$ - | \$ 591 |
| Noncurrent portion of long-term capital liabilities | - | 2,476,884 | 26,589 | 2,503,473 |
| Noncurrent portion of compensated absences | 13,814 | 12,176 | 62 | 26,052 |
| Total Noncurrent Liabilities | <u>\$ 14,428</u> | <u>\$ 2,489,036</u> | <u>\$ 26,651</u> | <u>\$ 2,530,115</u> |
| Total Liabilities | <u>\$ 963,480</u> | <u>\$ 2,544,005</u> | <u>\$ 33,258</u> | <u>\$ 3,540,742</u> |
| NET POSITION | | | | |
| Government Wide Format: | | | | |
| Net investment in capital assets | \$ 1,580,095 | \$ 1,273,487 | \$ 2,298,086 | \$ 5,151,668 |
| Restricted for replacement and depreciation | - | 72,000 | - | 72,000 |
| Restricted for debt service | - | 116,496 | - | 116,496 |
| Unrestricted | 828,843 | 399,072 | 70,514 | 1,298,429 |
| Total Net Position | <u>\$ 2,408,938</u> | <u>\$ 1,861,055</u> | <u>\$ 2,368,599</u> | <u>\$ 6,638,593</u> |
| Total Liabilities and Net Position | <u><u>\$ 3,372,418</u></u> | <u><u>\$ 4,405,060</u></u> | <u><u>\$ 2,401,857</u></u> | <u><u>\$ 10,179,334</u></u> |

See accompanying notes to the financial statements.

Town of Stevensville
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended
June 30, 2013

| | Business-Type Activities | | | Totals |
|--|---------------------------------|---------------------|---------------------|---------------------|
| | Enterprise Funds | | | |
| | 5210 | 5310 | 5610 | |
| | Water | Sewer | Airport | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 458,662 | \$ 265,605 | \$ 15,865 | \$ 740,131 |
| Miscellaneous revenues | 1,978 | - | - | 1,978 |
| Special assessments | - | 213,600 | - | 213,600 |
| Total Operating Revenues | <u>\$ 460,639</u> | <u>\$ 479,205</u> | <u>\$ 15,865</u> | <u>\$ 955,709</u> |
| OPERATING EXPENSES | | | | |
| Personal services | \$ 99,278 | \$ 95,027 | \$ 173 | \$ 194,477 |
| Supplies | 31,475 | 16,011 | 975 | 48,462 |
| Purchased services | 45,239 | 93,625 | 2,862 | 141,727 |
| Fixed charges | 6,800 | 960 | 1,250 | 9,010 |
| Depreciation | 42,058 | 110,888 | 177,816 | 330,762 |
| Total Operating Expenses | <u>\$ 224,850</u> | <u>\$ 316,511</u> | <u>\$ 183,077</u> | <u>\$ 724,437</u> |
| Operating Income (Loss) | <u>\$ 235,790</u> | <u>\$ 162,694</u> | <u>\$ (167,212)</u> | <u>\$ 231,272</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | \$ 354 | \$ 1,199 | \$ 1,716 | \$ 3,270 |
| Debt service interest expense | (16,052) | (101,939) | (1,324) | (119,315) |
| Total Non-Operating Revenues (Expenses) | <u>\$ (15,697)</u> | <u>\$ (100,740)</u> | <u>\$ 392</u> | <u>\$ (116,045)</u> |
| Income (loss) before contributions, transfers, special & extraordinary items | <u>\$ 220,093</u> | <u>\$ 61,955</u> | <u>\$ (166,820)</u> | <u>\$ 115,227</u> |
| Capital contributions | <u>\$ 489,670</u> | <u>\$ 101,495</u> | <u>\$ -</u> | <u>\$ 591,165</u> |
| Change in net position | <u>\$ 709,763</u> | <u>\$ 163,450</u> | <u>\$ (166,820)</u> | <u>\$ 706,392</u> |
| Net Position - Beginning of the year | 1,699,176 | 1,697,605 | 2,535,420 | 5,932,201 |
| Net Position - End of the year | <u>\$ 2,408,938</u> | <u>\$ 1,861,055</u> | <u>\$ 2,368,599</u> | <u>\$ 6,638,593</u> |

See accompanying notes to the financial statements.

Town of Stevensville
STATEMENT OF CASH FLOWS
MAJOR PROPRIETARY FUNDS

Fiscal Year Ended

June 30, 2013

Business-type Activities

| Description | 5210 Water | 5310 Sewer | 5610 Airport | Total Major Business-Type Funds |
|--|-------------------|---------------------|-------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 457,544 | \$ 480,262 | \$ 15,865 | \$ 953,671 |
| Cash paid to suppliers | (87,315) | (122,566) | (5,042) | (214,922) |
| Cash paid to employees | (111,971) | (107,851) | (49) | (219,870) |
| Net cash provided (used) by operating activities: | \$ 258,259 | \$ 249,846 | \$ 10,774 | \$ 518,879 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from debt | \$ 148,728 | \$ - | \$ - | \$ 148,728 |
| Purchases/acquisition/construction of capital assets | (633,740) | (150,280) | (29,277) | (813,298) |
| Principal on debt | - | (43,033) | (6,230) | (49,263) |
| Interest paid on debt | - | (101,939) | (1,324) | (103,263) |
| Proceeds from intergovernmental capital grant: | 484,670 | 101,495 | 27,813 | 613,978 |
| Net cash provided (used) by capital and related financing: | \$ (342) | \$ (193,757) | \$ (9,018) | \$ (203,118) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earnings | \$ 354 | \$ 1,199 | \$ 1,716 | \$ 3,270 |
| Net cash provided (used) by investing activities: | 354 | 1,199 | 1,716 | 3,270 |
| Net increase (decrease) in cash and cash equivalents: | 258,271 | 57,288 | 3,473 | 319,031 |
| Cash and cash equivalents as of: | | | | |
| June 30, 2012 | 601,050 | 487,803 | 67,520 | 1,156,374 |
| June 30, 2013 | \$ 859,321 | \$ 545,091 | \$ 70,993 | \$ 1,475,405 |
| Operating income (loss) | \$ 235,790 | \$ 162,694 | \$ (167,212) | \$ 231,272 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Depreciation expense | \$ 42,058 | \$ 110,888 | \$ 177,816 | \$ 330,762 |
| (Increase) Decrease in accounts receivable | (3,095) | 1,057 | - | (2,038) |
| (Increase) Decrease in intergovernmental receivables | (39,838) | - | 27,813 | (12,025) |
| Increase (decrease) in warrants/accounts payable | 36,037 | (11,969) | (27,767) | (3,699) |
| Increase (decrease) in compensated absences pay | (12,693) | (12,824) | 124 | (25,393) |
| Total adjustments | \$ 22,469 | \$ 87,152 | \$ 177,986 | \$ 287,607 |
| Net cash provided (used) by operating activities: | \$ 258,259 | \$ 249,846 | \$ 10,774 | \$ 518,879 |

See accompanying notes to the financial statements.

Town of Stevensville
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

| | | Agency Funds |
|---|-----------|-------------------------|
| ASSETS | | |
| Cash and short-term investments | \$ | 49,514 |
| Taxes and assessments receivable, net | | 193 |
| Total receivables | | <u>193</u> |
| Total Assets | \$ | <u>49,707</u> |
| LIABILITIES | | |
| Warrants payable | \$ | 51,048 |
| Due to other governments | | 5,757 |
| Deferred revenue | | 193 |
| Due to others | | <u>(7,291)</u> |
| Total Liabilities | \$ | <u>49,707</u> |
| Net Position | | |
| 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 FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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

Discretely Presented Component Unit: None

2. Government-wide and fund financial statements - The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. 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 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. The fund is maintained on the full accrual basis of accounting.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Additionally, the government reports the following fund types:

Fiduciary Funds

Trust & Agency Funds - Used to account for assets held by the City 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.

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.

4. Assets, liabilities, and net position

a) 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 County/City/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).

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assets, liabilities, and net assets or equity, continued

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.

b) 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.

c) Inventories and prepaid items

The Town had no amounts recorded for inventories or prepaid items as of June 30, 2013

d) 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 to establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

e) 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.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital assets, continued

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> |

f) 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.

g) 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.

h) Fund equity

See Note D below for an explanation of the various classifications of fund balance on the governmental fund financial statements. Restricted fund balances/net position are balances that are legally restricted by outside parties for use for a specific purpose.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. 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.
2. 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.

NOTE C – COMPLIANCE AND ACCOUNTABILITY

1. 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 first Thursday after the first Tuesday in September or within 30 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.

2. Excess of expenditures over appropriations – The Building Code Enforcement Fund, a special revenue fund, had excess expenditures over appropriations in the amount of \$2,293.47.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE C – COMPLIANCE AND ACCOUNTABILITY, continued

3. Deficit fund balance/net position- The Town had no funds with deficit fund balance/net position as of June 30, 2013.

NOTE D – DETAILED NOTES ON ALL FUNDS

1. Deposits and Investments – As of June 30, 2013, the government had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> |
|--------------------------|-------------------|
| Certificates of Deposits | \$ 417,996 |
| Total fair value | <u>\$ 417,996</u> |

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 16% 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 Town. Compliance with these statutes minimizes the Town's custodial credit risk.

2. 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, 2013.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

3. Capital assets – Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Adjustments | Ending Balance |
|---|----------------------|-------------------|-----------------|-------------------|---------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 2,707 | \$ - | \$ - | \$ - | \$ 2,707 |
| Total capital assets not being depreciated | <u>2,707</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,707</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 427,934 | - | - | - | 427,934 |
| Improvements other than buildings | 102,763 | 6,242 | - | - | 109,005 |
| Machinery and equipment | 537,475 | 43,113 | - | - | 583,587 |
| Total capital assets being depreciated | <u>1,068,172</u> | <u>52,355</u> | <u>-</u> | <u>-</u> | <u>1,120,527</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (303,657) | (10,111) | - | - | (313,767) |
| Improvements other than buildings | (51,944) | (4,497) | - | - | (56,441) |
| Machinery and equipment | (515,726) | (23,325) | - | 102,786 | (806,473) |
| Total accumulated depreciation | <u>(871,327)</u> | <u>(37,932)</u> | <u>-</u> | <u>102,786</u> | <u>(871,327)</u> |
| Total capital assets being depreciated | <u>196,845</u> | <u>14,423</u> | <u>-</u> | <u>102,786</u> | <u>314,054</u> |
| Governmental activities capital assets net | <u>\$ 199,552</u> | <u>\$ 14,423</u> | <u>\$ -</u> | <u>\$ 102,786</u> | <u>\$ 316,761</u> |
| Business-type activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 663,198 | \$ - | \$ - | \$ - | \$ 663,198 |
| Construction in progress | 237,415 | 796,556 | - | - | 1,033,971 |
| Total capital assets not being depreciated | <u>900,613</u> | <u>796,556</u> | <u>-</u> | <u>-</u> | <u>1,697,168</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 155,977 | - | - | - | 155,977 |
| Improvements other than buildings | 2,853,979 | - | - | - | 2,853,979 |
| Machinery and equipment | 354,532 | - | - | - | 354,532 |
| Source of supply | 84,754 | - | - | - | 84,754 |
| Pumping plant | 18,900 | - | - | - | 18,900 |
| Treatment plant | 5,806,292 | 27,467 | (10,500) | - | 5,823,259 |
| Transmission and distribution | 1,360,916 | - | - | - | 1,360,916 |
| Total capital assets being depreciated | <u>10,635,350</u> | <u>27,467</u> | <u>(10,500)</u> | <u>-</u> | <u>10,652,317</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (88,908) | (3,999) | - | - | (92,907) |
| Improvements other than buildings | (1,106,245) | (164,515) | - | - | (1,270,760) |
| Machinery and equipment | (215,969) | (14,256) | - | - | (230,225) |
| Source of supply | (84,754) | - | - | - | (84,754) |
| Pumping plant | (18,900) | - | - | - | (18,900) |
| Treatment plant | (1,908,179) | (120,773) | 10,500 | - | (2,018,452) |
| Transmission and distribution | (27,218) | (27,218) | - | - | (54,437) |
| Total accumulated depreciation | <u>(3,450,173)</u> | <u>(330,762)</u> | <u>10,500</u> | <u>-</u> | <u>(3,770,435)</u> |
| Total capital assets being depreciated | <u>7,185,177</u> | <u>(303,295)</u> | <u>-</u> | <u>-</u> | <u>6,881,882</u> |
| Business-Type activities capital assets net | <u>\$ 8,085,790</u> | <u>\$ 493,261</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,579,051</u> |

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

Capital assets, continued

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

| | |
|---|------------|
| Governmental activities: | |
| General government | \$ 2,766 |
| Public safety | 28,382 |
| Public works | 3,905 |
| Culture and recreation | 2,879 |
| Total depreciation expense - governmental activities | \$ 37,932 |
| | |
| Business-type activities: | |
| Water utilities | \$ 42,058 |
| Sewer utilities | 110,888 |
| Airport | 177,816 |
| Total depreciation expense - business-type activities | \$ 330,762 |

4. Operating Leases – The town has no operating leases as of June 30, 2013.
5. Long-term debt – The County/City/Town has assumed the following long-term debt:

a) **General Obligation Bonds**

The Town had no General Obligation Bonds payable at June 30, 2013.

b) **Revenue Bonds**

Revenue Bonds payable at June 30, 2013 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, 2013</u> | <u>Annual Serial Payment</u> |
|----------------------------|-------------------|----------------------|----------------------|-----------------------|---------------------|----------------------------------|------------------------------|
| Sewer RUS #1 | 12/19/00 | 4.500% | 40 | 5/19/40 | \$ 1,250,000 | 1,061,602 | varies |
| Sewer RUS #3 | 12/19/00 | 4.500% | 40 | 5/19/40 | \$ 814,000 | 691,315 | varies |
| Sewer RUS #2 | 12/14/11 | 3.000% | 40 | 5/19/51 | \$ 780,000 | 764,467 | varies |
| Total Revenue Bonds | | | | | \$ 2,844,000 | \$ 2,517,384 | |

c) **Special Assessment Bonds**

The Town had no Special Assessment Bonds payable at June 30, 2013.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

d) **Contracts, Notes, or Loans**

| <u>Purpose</u> | <u>Original</u> <u>Amount</u> | <u>Date of Issue</u> | <u>Interest</u> <u>Rate</u> | <u>Outstanding</u> <u>6/30/2013</u> | <u>Date of</u> <u>Last</u> <u>Payment</u> |
|---|----------------------------------|----------------------|--------------------------------|--|---|
| Water project-draws 1, 2, 3 | \$ 115,862 | 4/8/2011 | 1.950% | \$ 115,862 | 2014 |
| Water project-draws 4 through 17 | 577,793 | 7/4/2005 | 1.950% | 577,793 | 2014 |
| Water project-draws 18 through 28 | 148,728 | 2013 | 1.250% | 148,728 | 2014 |
| Water project-draws 29 through 31 | 34,838 | 2013 | 1.000% | 34,838 | 2014 |
| Montana Aeronautics #2 | 46,045 | 1/17/2008 | 4.130% | 23,023 | 2/28/18 |
| Montana Aeronautics #3 | 16,250 | 9/3/2009 | 1.625% | 9,750 | 2/28/19 |
| Total Contracts, Notes, or Loans | \$ 939,516 | | | \$ 909,994 | |

6. 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 |
|-------------------------|-------------------|---|
| Governmental Activities | \$ 102,786 | restate prior year depreciation expense |
| General | (100) | restate prior year expenditures |
| General | (141) | restate prior year revenues |
| Total | <u>\$ 102,545</u> | |

7. 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 |
|---|---|--|--------------|
| Public Employee's Retirement System (City) | 25,270 | 25,766 | \$ 51,036 |

8. Fund Balance/Net Assets

a) **Fund Balance**

Statement No. 54 - "Fund Balance Reporting and The Governmental Fund Type Definitions". 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.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

a) **Fund Balance, continued**

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:

- 1) providers such as creditors (such as through debt covenants), grantors, contributors, and laws and regulations of other governments; or
- 2) 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 for certain designated individuals, positions or bodies and none were noted during the fiscal year.

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 overspending for specific purposes for which amounts had been restricted, committed, or assigned.

b) **Net Position**

In funds other than governmental funds, net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is 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.

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

9. 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.

10. 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

Continued

TOWN OF STEVENSVILLE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE D – DETAILED NOTES ON ALL FUNDS, continued

11. Minimum Fund Balance Policy – The Town County does not have a minimum fund balance policy in place.

NOTE E – BOC SUPPLEMENT SCHEDULE

- a) **Salaries and Wages** - Total salaries and wages paid to all employees of the government before deductions for social security, retirement, etc. including salaries and wages paid to employees of any utility owned and operated by the government during fiscal year 2013 totaled \$449,729.
- b) **Debt Outstanding**
- 1) Long-term debt outstanding, issued and retired:

| Purpose | Bonds Outstanding July 1, 2012 | Amount | | General Revenue Obligation bonds |
|---------------|-----------------------------------|--|---|-------------------------------------|
| | | Bonds during the fiscal year Issued | Bonds during the fiscal year Retired | |
| Sewer utility | 2,560,417 | | 43,033 | - 2,517,384 |

- 2) Short-term debt:

| Type | Beginning of fiscal year | End of fiscal year |
|------------------------|--------------------------|--------------------|
| INTERCAP loans payable | 693,655 | 877,211 |
| Notes/loans payable | 6,189 | 6,189 |

- a) **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 Fund | Amount |
|------------------------|---------------------|
| General Fund | \$ 340,840 |
| Special Revenue Funds | 445,574 |
| Capital Projects Funds | 408,577 |
| Enterprise Funds | 1,475,405 |
| Trust and Agency Funds | 49,514 |
| Total cash all funds | <u>\$ 2,719,910</u> |

Concluded

TOWN OF STEVENSVILLE

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND

For the year ending June 30, 2013

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|---|-------------------|-------------------|-------------------|---|
| 1000 GENERAL | | | | |
| REVENUES | | | | |
| Taxes | 236,000.00 | 236,000.00 | 251,827.04 | 15,827.04 |
| Property Taxes | 39,000.00 | 39,000.00 | 43,078.01 | 4,078.01 |
| Local option taxes | | | | |
| Licenses and permits | 2,050.00 | 2,050.00 | 1,900.00 | (150.00) |
| Alcoholic beverage licenses | 3,200.00 | 3,200.00 | 1,705.94 | (1,494.06) |
| Franchise fees | 450.00 | 450.00 | 423.00 | (27.00) |
| Animal licenses | 2,150.00 | 2,150.00 | 375.00 | (1,775.00) |
| Other licenses and permits | | | | |
| Intergovernmental revenue (See supplemental section for detail) | 4,440.00 | 4,440.00 | 4,440.00 | 0.00 |
| Federal grants | 168,500.00 | 168,500.00 | 180,981.65 | 12,481.65 |
| State shared revenues | | | | |
| Charges for services | 0.00 | 0.00 | 120.44 | 120.44 |
| General government | 4,000.00 | 4,000.00 | 4,750.00 | 750.00 |
| Public safety | 11,000.00 | 11,000.00 | 12,650.00 | 1,650.00 |
| Public works | 23,350.00 | 23,350.00 | 26,728.50 | 3,378.50 |
| Culture and recreation | | | | |
| Fines and forfeitures | 20,000.00 | 20,000.00 | 19,119.42 | (880.58) |
| City court | 10,450.00 | 10,450.00 | 14,141.99 | 3,691.99 |
| Miscellaneous | 0.00 | 0.00 | 483.25 | 483.25 |
| Investment and royalty earnings | | | | |
| Total revenues | 524,590.00 | 524,590.00 | 562,724.24 | 38,134.24 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative services | 12,976.00 | 12,976.00 | 13,071.49 | (95.49) |
| Executive services | 6,092.00 | 6,092.00 | 5,005.76 | 1,086.24 |
| Personal services | | | | |
| Supplies/services/materials, etc | | | | |
| Judicial services | 31,326.00 | 31,326.00 | 35,513.20 | (4,187.20) |
| Personal services | 6,131.00 | 6,131.00 | 5,956.02 | 174.98 |
| Supplies/services/materials, etc | | | | |
| Administrative services | | | | |
| Financial services | 51,959.00 | 51,959.00 | 55,125.04 | (3,166.04) |
| Personal services | 32,530.00 | 32,530.00 | 16,764.32 | 15,765.68 |
| Supplies/services/materials, etc | | | | |
| Elections | | | | |
| Purchasing services | | | | |
| Personnel services | | | | |
| Records administration | | | | |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2013

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|-----------------------------------|-----------------|--------------|----------------|---|
| Legal services | 23,000.00 | 23,000.00 | 12,277.97 | 10,722.03 |
| Supplies/services/materials, etc | | | | |
| Planning and research services | | | | |
| Facilities administration | | | | |
| Supplies/services/materials, etc | 9,310.00 | 9,310.00 | 11,055.11 | (1,745.11) |
| Estate Administration | | | | |
| Public school administration | | | | |
| Other general government services | | | | |
| Public Safety: | | | | |
| Law enforcement services | | | | |
| Personal services | 131,144.00 | 131,144.00 | 137,062.95 | (5,918.95) |
| Supplies/services/materials, etc | 38,620.00 | 38,620.00 | 39,569.96 | (949.96) |
| Detention and correction | | | | |
| Probation and parole | | | | |
| Fire protection | | | | |
| Personal services | 8,957.00 | 8,957.00 | 7,979.64 | 977.36 |
| Supplies/services/materials, etc | 41,850.00 | 41,850.00 | 31,381.73 | 10,468.27 |
| Protective inspections | | | | |
| Civil defense | | | | |
| Emergency services | | | | |
| Other public safety services | | | | |
| Public Works: | | | | |
| Public works administration | | | | |
| Personal services | 26,356.00 | 26,356.00 | 28,003.81 | (1,647.81) |
| Supplies/services/materials, etc | 4,300.00 | 4,300.00 | 2,336.94 | 1,963.06 |
| Road and street services | | | | |
| Personal services | 0.00 | 0.00 | 8.33 | (8.33) |
| Supplies/services/materials, etc | 30,075.00 | 30,075.00 | 33,233.92 | (3,158.92) |
| Capital outlay | 2,000.00 | 2,000.00 | 0.00 | 2,000.00 |
| Airport | | | | |
| Transit systems | | | | |
| Water utilities | | | | |
| Sewer utilities | | | | |
| Natural gas/electric | | | | |
| Solid waste services | | | | |
| Cemetery services | | | | |
| Personal services | 15,197.00 | 15,197.00 | 13,170.97 | 2,026.03 |
| Supplies/services/materials, etc | 6,673.00 | 6,673.00 | 4,178.36 | 2,494.64 |
| Capital outlay | 750.00 | 750.00 | 0.00 | 750.00 |
| Public scales | | | | |
| Weed control | | | | |
| Flood control | | | | |
| Central shop services | | | | |
| Other public works services | | | | |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2013

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|--|--------------------|-------------------|-------------------|---|
| 1000 GENERAL | | | | |
| Public Health: | | | | |
| Public health services | | | | |
| Hospitals | | | | |
| Nursing homes | | | | |
| Mental health center | | | | |
| Animal control services | | | | |
| Insect and pest controls | | | | |
| Other public health services | | | | |
| Social and Economic Services: | | | | |
| Welfare | | | | |
| Veteran's services | | | | |
| Aging services | | | | |
| Extension services | | | | |
| Other social and economic services | | | | |
| Culture and Recreation: | | | | |
| Library services | | | | |
| Fairs | | | | |
| Other community events | | | | |
| Parks | | | | |
| Supplies/services/materials, etc | 6,220.00 | 6,220.00 | 3,874.86 | 2,345.14 |
| Capital outlay | 1,500.00 | 1,500.00 | 0.00 | 1,500.00 |
| Participant recreation | | | | |
| Spectator recreation | | | | |
| Personal services | 25,560.00 | 25,560.00 | 20,800.69 | 4,759.31 |
| Supplies/services/materials, etc | 6,750.00 | 6,750.00 | 7,858.40 | (1,108.40) |
| Other culture and recreation services | | | | |
| Housing and Community Development: | | | | |
| Community public facility projects | | | | |
| Housing rehabilitation | | | | |
| Economic development | | | | |
| TSEP/Home/Infrastructure rehabilitation | | | | |
| HOME - tenant based rental assistance | | | | |
| Other housing and community development | | | | |
| Conservation of Natural Resources: | | | | |
| Soil conservation | | | | |
| Water quality control | | | | |
| Air quality control | | | | |
| Other natural resources Conservation | | | | |
| Debt Service: | | | | |
| Miscellaneous | 5,000.00 | 5,000.00 | 854.88 | 4,145.12 |
| | 524,276.00 | 524,276.00 | 485,084.35 | 39,191.65 |
| | 314.00 | 314.00 | 77,639.89 | 77,325.89 |
| Excess of revenues over (under) expenditures | | | | |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2013

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|---|-----------------|--------------|----------------|---|
| ----- | | | | |
| ----- | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| ----- | | | | |
| ----- | | | | |
| Net change in fund balance | 314.00 | 314.00 | 77,639.89 | 77,325.89 |
| Fund balance - July 1, 2012 - | | | | |
| -As previously reported | 255,751.42 | 255,751.42 | 255,751.42 | 0.00 |
| Prior period adjustments | (240.77) | (240.77) | (240.77) | 0.00 |
| | ----- | ----- | ----- | ----- |
| Fund balance - July 1, 2012 - As restated | 255,510.65 | 255,510.65 | 255,510.65 | 0.00 |
| | ----- | ----- | ----- | ----- |
| Fund balance - June 30, 2013 | 255,824.65 | 255,824.65 | 333,150.54 | 77,325.89 |
| | ===== | ===== | ===== | ===== |



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& GALUSHA^{PC}
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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 16, 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.

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

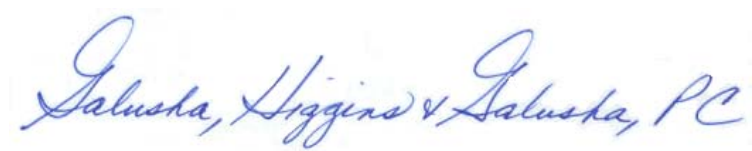
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether '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
June 16, 2014

Town of Stevensville
SCHEDULE OF PRIOR AUDIT RECOMMENDATIONS
For the Fiscal Year Ending June 30, 2013

The following recommendations were made during the prior audit. The status of the Town's corrective action plan was reviewed during the current audit and is reported as follows:

Prior Audit Recommendations

Finding 2012-1 Inadequate Documentation:

During the fiscal year 2012 audit it was noted that the Town's accounting records did not contain adequate documentation to support the transactions and balance recorded in the financial statements. The Town's corrective action plan had been fully implemented prior to the issuance of the fiscal year 2012 audit report. During the current audit, it was noted that the measures taken by the Town to address the documentation issues appear adequate and functional.

Finding 2012-2 Davis-Bacon Act:

During the fiscal year 2012 audit it was noted that the Town did not maintain adequate records to support the compliance requirements for the Davis-Bacon Act related to major federal programs. The Town's corrective action plan included more adequate documentation with the Town's contracted project engineers. During the 2013 audit, we noted that documentation for all aspects of the accounting system, including compliance matters had improved and no compliance findings have been noted.

Finding 2012-3 Allowable Costs:

During the fiscal year 2012 audit it was noted that the Town did not maintain adequate records to support the compliance requirements for the Allowable Costs compliance requirement related to major federal programs. The Town's corrective action plan had been fully implemented prior to the issuance of the fiscal year 2012 audit report. During the current audit, it was noted that the measures taken by the Town to address the documentation issues appear adequate and functional.