

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Town of Stevensville

June 30, 2014

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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 the Town of Stevensville, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 the Town of Stevensville, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Stevensville's basic financial statements. The general fund budgetary comparison and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

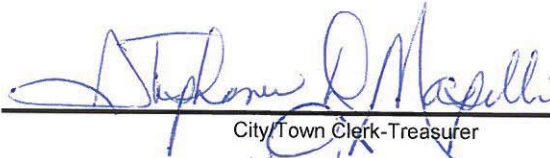
Helena, Montana
June 30, 2015

**Town of Stevensville
ELECTED OFFICIALS/OFFICERS**

| OFFICE | NAME OF CITY/TOWN OFFICIALS/OFFICERS | DATE TERM EXPIRES |
|----------------------------------|--------------------------------------|-------------------|
| Mayor | Gene Mim Mack | 12/31/2018 |
| Councilperson/Commissioner | Bill Perrin | 12/31/2015 |
| Councilperson/Commissioner | Robin Holcomb | 12/31/2018 |
| Councilperson/Commissioner | Jim Crews | 12/31/2018 |
| Councilperson/Commissioner | Tim Hunter | 12/31/2015 |
| Councilperson/Commissioner | | |
| Councilperson/Commissioner | | |
| Councilperson/Commissioner | | |
| Councilperson/Commissioner | | |
| City manager | | |
| Attorney | Brian West | 6/30/2014 |
| Chief of police | James Marble | |
| Clerk | Stacy Bartlett | |
| Treasurer | Stephanie D. Mapelli | |
| Deputy Clerk/Treasurer | | |
| City Judge | Martha Birkeneder | 6/30/2014 |
| City Services Supervisor | George Thomas | |
| Utility billing/collection clerk | Denise Philley | |
| | | |
| | | |

In accordance with State law, I hereby transmit the
Town of Stevensville
Annual Financial Report for the fiscal year ended
June 30, 2014

Respectfully submitted;



City/Town Clerk-Treasurer

11/29/15

Date

MANAGEMENT'S

DISCUSSION

AND

ANALYSIS



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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, 2014. 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.

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,



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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 22-29 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.

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



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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.

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 30 - 45). 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
Fiscal Year ending June 30, 2014**

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 \$9,578,084 at year ended June 30, 2014.

Town of Stevensville Net Position

| | Governmental Activities | | Business -type Activities | | Total | |
|----------------------------------|----------------------------|--------------------|---------------------------|---------------------|---------------------|---------------------|
| | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 |
| Assets | | | | | | |
| Current assets | \$1,217,469 | \$1,212,676 | \$1,411,788 | \$1,645,638 | \$2,629,257 | \$2,858,314 |
| Non-current assets | \$316,761 | \$365,949 | \$8,767,547 | \$11,687,008 | \$9,084,307 | \$12,052,957 |
| Total Assets | <u>\$1,534,230</u> | <u>\$1,578,625</u> | <u>\$10,179,334</u> | <u>\$13,332,646</u> | <u>\$11,713,565</u> | <u>\$14,911,271</u> |
| Liabilities | | | | | | |
| Current liabilities | \$35,321 | \$52,454 | \$1,010,627 | \$651,158 | \$1,045,948 | \$703,612 |
| Non-current liabilities | \$13,684 | \$19,216 | \$2,530,115 | \$4,610,358 | \$2,543,799 | \$4,629,575 |
| Total Liabilities | <u>\$49,005</u> | <u>\$71,670</u> | <u>\$3,540,742</u> | <u>\$5,261,517</u> | <u>\$3,589,747</u> | <u>\$5,333,187</u> |
| Net Position | | | | | | |
| Net investment in capital assets | \$316,761 | \$364,069 | \$5,151,668 | \$6,636,513 | \$5,468,428 | \$7,000,582 |
| Restricted | \$413,214 | \$449,257 | \$188,496 | \$360,984 | \$601,710 | \$810,241 |
| Unrestricted | \$755,250 | \$693,629 | \$1,298,429 | \$1,073,632 | \$2,053,679 | \$1,767,261 |
| Total Net Position | <u>\$1,485,225</u> | <u>\$1,506,955</u> | <u>\$6,638,593</u> | <u>\$8,071,129</u> | <u>\$8,123,817</u> | <u>\$9,578,084</u> |



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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 \$753,771 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 \$1,506,955. Included within the total Net Position are fund balances totaling \$693,629 for the year ending June 30, 2014, 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
Fiscal Year ending June 30, 2014**

Business-type activities

The total Net Position of the Town of Stevensville water, wastewater utility, and airport reported as business-type activities, increased by \$1,432,536. The investment in capital assets net of related debt decreased \$1,484,845, due to existing water system debt, and annual loan sewer bond debt payments. The unrestricted Net Position decreased \$224,797. The decrease 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, and sewer debt reduction.

Governmental activities

Governmental activities increased the Town of Stevensville's Net Position by \$20,624.



**Town of Stevensville
Management Discussion and Analysis
Fiscal Year ending June 30, 2014**

| Town of Stevensville's CHANGES IN NET POSITION - Revenue | | | | | | |
|--|----------------------------|------------------|-----------------------------|--------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 |
| General Revenues | | | | | | |
| Property taxes | \$267,102 | \$275,411 | | \$4,000 | \$267,102 | \$279,411 |
| Local option tax | \$43,922 | \$47,519 | | | \$43,922 | \$47,519 |
| Program Revenues | | | | | | |
| Charges for Services | \$92,424 | \$112,961 | \$953,732 | \$987,099 | \$1,080,629 | \$1,100,060 |
| Licenses and permits | \$8,029 | \$12,733 | | | \$8,029 | \$12,733 |
| Unrestricted Fed/State shared revenues | \$177,357 | \$170,981 | | | \$177,357 | \$170,981 |
| Unrestricted investment earnings | \$2,051 | \$1,561 | \$3,270 | \$304 | \$5,321 | \$1,865 |
| Misc. Operating grants & contributions | \$13,551 | \$18,547 | \$1,978 | \$1,950 | \$15,529 | \$20,497 |
| Capital grants & contributions | \$39,389 | \$87,450 | \$591,165 | \$1,508,143 | \$1,032,034 | \$1,595,593 |
| Total Revenues | <u>\$643,825</u> | <u>\$727,163</u> | <u>\$1,550,145</u> | <u>\$2,501,495</u> | <u>\$2,193,970</u> | <u>\$3,228,659</u> |



**Town of Stevensville
Management Discussion and Analysis
Fiscal Year ending June 30, 2014**

Town of Stevensville's CHANGES IN NET POSITION - Expenses

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 |
| Expenses | | | | | | |
| General | | | | | | |
| Government | \$157,279 | \$173,294 | | | \$157,279 | \$173,294 |
| Public safety | \$244,630 | \$337,974 | | | \$244,630 | \$337,974 |
| Public works | \$120,457 | \$123,054 | | | \$120,457 | \$123,054 |
| Culture & Recreation | \$33,523 | \$50,325 | | | \$33,523 | \$50,325 |
| Housing/ Community Development | \$0 | \$0 | | | \$0 | \$0 |
| Miscellaneous | \$855 | \$21,943 | | | \$855 | \$21,943 |
| Water | | | \$240,901 | \$350,704 | \$240,901 | \$350,704 |
| Sewer | | | \$418,449 | \$496,039 | \$418,449 | \$496,039 |
| Airport | | | \$184,402 | \$223,341 | \$184,402 | \$223,341 |
| Total Expenses | <u>\$556,744</u> | <u>\$706,539</u> | <u>\$843,752</u> | <u>\$1,070,084</u> | <u>\$1,400,496</u> | <u>\$1,776,674</u> |
| Change in Net Position | | | | | | |
| Net Position July 1, 2013 | \$87,081 | \$20,624 | \$706,392 | \$1,431,412 | \$793,473 | \$1,452,035 |
| Net Position June 30, 2014 | \$1,486,331 | | \$6,639,718 | | \$8,126,049 | |
| | | \$1,506,955 | | \$8,071,129 | | \$9,578,084 |



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

The cost of all governmental activities this year was \$706,539. Property taxes, Federal/State shared revenue accounted for the majority of the revenues used to finance governmental activities. The cost of FY 13 - 14 governmental activities increased \$149,795 from FY 12 - 13.

The cost of business-type activities this year was \$1,070,084. Charges for services accounted for the majority of the revenues used to finance business-type activities. The cost of FY 13 - 14 business-type activities increased \$226,332.

Capital grants and contributions for ongoing water & sewer improvement projects totaled \$1,504,034.

The Town had a stronger net asset position at the end of FY 13 - 14 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, 2014, the Town of Stevensville's governmental funds reported combined fund balances of \$1,160,175, a decrease of \$15,060 in comparison with the prior year.

Of these fund balances \$780,188 or approximately 67% was restricted or committed to specific types of activities i.e. \$308,489 for capital projects and \$22,443 for general government fund activities (Insurances, PERS, etc), \$58,417 for public safety, and \$276,674 for public works.

The General Fund is the chief operating fund of the Town of Stevensville. As of June 30, 2014, the fund balance of the general fund was \$379,987. This unreserved



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

balance is budgeted as cash available in 2014-2014. The fund balance increased by \$46,836 in fiscal year 2013-2014. Actual expenses were less than budgeted by approximately 2% or \$12,415.

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, 2014, is \$222,257.

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.

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, 2014 were \$8,071,129 a \$1,432,536 increase over fiscal year 2012 - 2013.

The water utility Net Position was \$3,130,386, an increase from the previous year of \$721,448.

The wastewater (sewer) utility Net Position was \$2,418,587, an increase from the previous year of \$557,532. The increase in the wastewater (sewer) Net Position is



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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.

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, 2014 amounts to \$11,690,093 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 \$2,794,282 or a 31% increase.



**Town of Stevensville
Management Discussion and Analysis
Fiscal Year ending June 30, 2014**

Town of Stevensville's Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|--------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 12 -13 | 13-14 | 12 - 13 | 13-14 | 12 - 13 | 13 - 14 |
| Land | \$2,707 | \$2,707 | \$663,198 | \$663,198 | \$665,905 | \$665,905 |
| Buildings | \$427,934 | \$427,934 | \$155,977 | \$155,977 | \$583,911 | \$583,911 |
| Improvements other than buildings | \$109,005 | \$123,496 | \$2,853,979 | \$2,853,979 | \$2,962,983 | \$2,977,475 |
| Machinery & equipment | \$583,587 | \$615,707 | \$354,532 | \$429,721 | \$583,587 | \$1,045,428 |
| Infrastructure Construction in progress | | \$21,366 | \$1,033,971 | \$2,842,460 | \$1,033,971 | \$2,842,460 |
| Source of supply Pumping Plant | | | \$84,754 | \$84,754 | \$84,754 | \$84,754 |
| Transmission & distribution Treatment Plant | | | \$18,900 | \$18,900 | \$18,900 | \$18,900 |
| | | | \$1,360,916 | \$2,214,425 | \$1,360,916 | \$2,214,425 |
| | | | \$5,823,259 | \$5,823,259 | \$5,823,259 | \$5,823,259 |
| Total Capital Assets | <u>\$1,120,526</u> | <u>\$1,191,209</u> | <u>\$10,652,317</u> | <u>\$15,471,846</u> | <u>\$11,772,844</u> | <u>\$16,663,057</u> |
| Less Accumulated Depreciation | (806,473) | (827,140) | (3,770,435) | (4,145,823) | (4,576,908) | (4,972,963) |
| Capital Assets net of depreciation | <u>\$316,760</u> | <u>\$364,069</u> | <u>\$8,579,051</u> | <u>\$11,326,024</u> | <u>\$8,085,790</u> | <u>\$11,690,093</u> |



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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.



**Town of Stevensville
Management Discussion and Analysis
Fiscal Year ending June 30, 2014**

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 \$2,473,405 entirely backed by the revenues of the sewer utility. The outstanding debt for the wastewater utilities decreased \$46,979 for the fiscal year ended June 30, 2014.

The Town of Stevensville has three outstanding loans to the Montana Department of Aeronautics in the amount of \$43,303. These loans are 10 year notes; the first is due in 2016 with an outstanding balance at the end of the fiscal year of \$18,417 at a 4.125% rate of interest. The 2nd loan is due in 2019 with an outstanding balance of \$8,329 at a 1.625% rate of interest. The 3rd loan is due in 2023 with an outstanding balance of \$16,557 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, 2014.

Town of Stevensville's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------|-----------------------------|--------------------|--------------------|--------------------|
| | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 | 12 - 13 | 13 - 14 |
| Water revenue bonds and Sewer revenue bonds | | | \$0 | \$0 | \$0 | \$0 |
| Total | | | <u>\$2,517,384</u> | <u>\$2,473,405</u> | <u>\$2,517,384</u> | <u>\$2,473,405</u> |



Town of Stevensville
Management Discussion and Analysis
Fiscal Year ending June 30, 2014

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------|----------------------------|---------|-----------------------------|--------------------|-----------------|--------------------|
| | 12 - 13 | 13 - 14 | 12 - 13 | 12 - 13 | 11 - 12 | 12 - 13 |
| INTERCAP | | | | | | |
| loan | | | | | | |
| water | | | | | | |
| utility | | | \$877,221 | \$2,926,771 | \$877,221 | \$2,926,771 |
| MT | | | | | | |
| Aeronautics | | | \$62,295 | \$43,303 | \$62,295 | \$43,303 |
| Total | | | <u>\$91,112</u> | <u>\$2,970,075</u> | <u>\$91,112</u> | <u>\$2,970,075</u> |



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

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, 2014.

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, 2014

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



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

system improvement project (storage tank) will commence in 2016. Future capital outlays for this project will be covered by combination of loans & grants.

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.



Town of Stevensville Management Discussion and Analysis Fiscal Year ending June 30, 2014

The Town's Future

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

FINANCIAL SECTION

**BASIC
FINANCIAL
STATEMENTS**

**Town of Stevensville
Statement of Net Position
June 30, 2014**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 1,191,532.49 | \$ 1,181,900.64 | \$ 2,373,433.13 |
| Taxes and assessments receivable, net | 21,143.05 | 2,935.15 | 24,078.20 |
| Accounts receivable - net | - | 82,183.73 | 82,183.73 |
| Due from other governments | - | 378,618.74 | 378,618.74 |
| Total current assets | <u>\$ 1,212,675.54</u> | <u>\$ 1,645,638.26</u> | <u>\$ 2,858,313.80</u> |
| Noncurrent assets: | | | |
| Restricted cash and investments | \$ - | \$ 360,984.00 | \$ 360,984.00 |
| Noncurrent portion of notes, loans and contracts receivable | 1,880.00 | - | 1,880.00 |
| Capital assets - land | 2,707.00 | 663,197.69 | 665,904.69 |
| Capital assets - construction in progress | - | 2,842,459.54 | 2,842,459.54 |
| Capital assets - net of depreciation | 361,362.41 | 7,820,366.38 | 8,181,728.79 |
| Total noncurrent assets | <u>\$ 365,949.41</u> | <u>\$ 11,687,007.61</u> | <u>\$ 12,052,957.02</u> |
| Total Assets | <u>\$ 1,578,624.95</u> | <u>\$ 13,332,645.87</u> | <u>\$ 14,911,270.82</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 30,972.61 | 470,101.47 | 501,074.08 |
| Accrued interest payable | - | 48,000.00 | 48,000.00 |
| Due to other governments | 2,264.63 | - | 2,264.63 |
| Current portion of long-term capital liabilities | - | 106,400.00 | 106,400.00 |
| Current portion of compensated absences payable | 19,216.50 | 26,657.00 | 45,873.50 |
| Total current liabilities | <u>\$ 52,453.74</u> | <u>\$ 651,158.47</u> | <u>\$ 703,612.21</u> |
| Noncurrent liabilities: | | | |
| Deposits payable | \$ - | \$ 590.53 | \$ 590.53 |
| Noncurrent portion of long-term capital liabilities | - | 4,583,110.64 | 4,583,110.64 |
| Noncurrent portion of compensated absences | 19,216.50 | 26,657.00 | 45,873.50 |
| Total noncurrent liabilities | <u>\$ 19,216.50</u> | <u>\$ 4,610,358.17</u> | <u>\$ 4,629,574.67</u> |
| Total Liabilities | <u>\$ 71,670.24</u> | <u>\$ 5,261,516.64</u> | <u>\$ 5,333,186.88</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 364,069.41 | \$ 6,636,512.97 | \$ 7,000,582.38 |
| Restricted for: | | | |
| Replacement and depreciation | - | 150,120.00 | 150,120.00 |
| Debt service | - | 210,864.00 | 210,864.00 |
| Public safety | 58,417.09 | - | 58,417.09 |
| Public works | 276,673.52 | - | 276,673.52 |
| Housing & community development | 114,166.04 | - | 114,166.04 |
| Unrestricted | 693,628.65 | 1,073,632.26 | 1,767,260.91 |
| Total net position | <u>\$ 1,506,954.71</u> | <u>\$ 8,071,129.23</u> | <u>\$ 9,578,083.94</u> |

See accompanying notes to the financial statements

Town of Stevensville
Statement of Activities
For the Fiscal Year Ended
June 30, 2014

| 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 | \$ 173,243.91 | \$ 20,114.00 | \$ 3,180.00 | \$ - | \$ (149,949.91) | | \$ (149,949.91) |
| Public safety | 337,973.69 | 39,726.97 | 43,051.55 | - | (255,195.17) | | (255,195.17) |
| Public works | 123,053.78 | 28,939.68 | 36,218.24 | - | (57,895.86) | | (57,895.86) |
| Culture and recreation | 50,324.57 | 24,180.35 | 5,000.00 | - | (21,144.22) | | (21,144.22) |
| Miscellaneous | 21,943.00 | - | - | - | (21,943.00) | | (21,943.00) |
| Total Governmental Activities | <u>\$ 706,538.95</u> | <u>\$ 112,961.00</u> | <u>\$ 87,449.79</u> | <u>\$ -</u> | <u>\$ (506,128.16)</u> | | <u>\$ (506,128.16)</u> |
| Business-type activities: | | | | | | | |
| Water | \$ 350,704.24 | \$ 468,206.82 | \$ - | \$ 601,785.52 | | \$ 719,288.10 | \$ 719,288.10 |
| Sewer | 496,038.52 | 489,556.60 | - | 562,794.79 | | 556,312.87 | 556,312.87 |
| Airport | 223,341.08 | 29,335.30 | 4,108.44 | 339,454.00 | | 149,556.66 | 149,556.66 |
| Total business-type activities | <u>\$ 1,070,083.84</u> | <u>\$ 987,098.72</u> | <u>\$ 4,108.44</u> | <u>\$ 1,504,034.31</u> | | <u>\$ 1,425,157.63</u> | <u>\$ 1,425,157.63</u> |
| Total primary government | <u>\$ 1,776,622.79</u> | <u>\$ 1,100,059.72</u> | <u>\$ 91,558.23</u> | <u>\$ 1,504,034.31</u> | <u>\$ (506,128.16)</u> | <u>\$ 1,425,157.63</u> | <u>\$ 919,029.47</u> |
| General Revenues: | | | | | | | |
| Property taxes for general purposes | | | | | 275,411.32 | 4,000.00 | 279,411.32 |
| Local option tax | | | | | 47,519.20 | - | 47,519.20 |
| Permits & Licenses | | | | | 12,732.61 | - | 12,732.61 |
| Unrestricted Federal/State shared revenues | | | | | 170,981.24 | - | 170,981.24 |
| Unrestricted investment earnings | | | | | 1,560.70 | 303.51 | 1,864.21 |
| Miscellaneous | | | | | 12,276.11 | 1,950.49 | 14,226.60 |
| Gain (Loss) on sale of capital asset | | | | | 513.83 | - | 513.83 |
| Transfers - net | | | | | 5,756.78 | - | 5,756.78 |
| Total general revenues, special items and transfers | | | | | <u>\$ 526,751.79</u> | <u>\$ 6,254.00</u> | <u>\$ 533,005.79</u> |
| Change in net position | | | | | <u>\$ 20,623.63</u> | <u>\$ 1,431,411.63</u> | <u>\$ 1,452,035.26</u> |
| Net position - beginning | | | | | 1,486,331.08 | 6,639,717.60 | 8,126,048.68 |
| Restatements | | | | | - | - | - |
| Net position - ending | | | | | <u>\$ 1,506,954.71</u> | <u>\$ 8,071,129.23</u> | <u>\$ 9,578,083.94</u> |

See accompanying notes to the financial statements

**Town of Stevensville
Balance Sheet
Governmental Funds
June 30, 2014**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------------|-------------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 392,383.41 | \$ 799,149.08 | \$ 1,191,532.49 |
| Taxes and assessments receivable, net | 20,312.30 | 830.75 | 21,143.05 |
| Total Current Assets | \$ 412,695.71 | \$ 799,979.83 | \$ 1,212,675.54 |
| Noncurrent Assets: | | | |
| Noncurrent portion of notes, loans and contracts receivable | - | 1,880.00 | 1,880.00 |
| Total Noncurrent Assets | \$ - | \$ 1,880.00 | \$ 1,880.00 |
| Total Assets | \$ 412,695.71 | \$ 801,859.83 | \$ 1,214,555.54 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 10,132.03 | 20,840.58 | 30,972.61 |
| Due to other governments | 2,264.63 | - | 2,264.63 |
| Total Current Liabilities | \$ 12,396.66 | \$ 20,840.58 | \$ 33,237.24 |
| Total Liabilities | \$ 12,396.66 | \$ 20,840.58 | \$ 33,237.24 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax/special assessment revenue | 20,312.30 | 830.75 | 21,143.05 |
| Total Deferred Inflows of Resources | \$ 20,312.30 | \$ 830.75 | \$ 21,143.05 |
| Fund Balances | | | |
| Restricted for: | | | |
| Public safety | - | 58,417.09 | 58,417.09 |
| Public works | - | 276,673.52 | 276,673.52 |
| Housing & community development | - | 114,166.04 | 114,166.04 |
| Committed for: | | | |
| Capital projects | - | 308,488.90 | 308,488.90 |
| Assigned to: | | | |
| General government | - | 22,442.95 | 22,442.95 |
| Unassigned | 379,986.75 | - | 379,986.75 |
| Total Fund Balance | \$ 379,986.75 | \$ 780,188.50 | \$ 1,160,175.25 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 412,695.71 | \$ 801,859.83 | \$ 1,214,555.54 |

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, 2014

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|---|
| REVENUES | | | |
| Taxes and assessments | \$ 299,351.97 | \$ 36,640.18 | \$ 335,992.15 |
| Licenses and permits | 8,750.01 | 36,726.97 | 45,476.98 |
| Intergovernmental | 186,727.27 | 64,670.36 | 251,397.63 |
| Charges for services | 42,512.35 | 920.00 | 43,432.35 |
| Fines and forfeitures | 19,194.00 | - | 19,194.00 |
| Miscellaneous | 22,740.11 | 552.00 | 23,292.11 |
| Investment earnings | 451.68 | 1,109.02 | 1,560.70 |
| Total revenues | <u>\$ 579,727.39</u> | <u>\$ 140,618.53</u> | <u>\$ 720,345.92</u> |
| EXPENDITURES | | | |
| General government | \$ 154,195.72 | \$ 12,867.89 | \$ 167,063.61 |
| Public safety | 228,069.53 | 81,358.81 | 309,428.34 |
| Public works | 90,538.86 | 20,941.23 | 111,480.09 |
| Culture and recreation | 45,002.77 | 3,189.00 | 48,191.77 |
| Miscellaneous | 21,943.00 | - | 21,943.00 |
| Capital outlay | - | 84,675.55 | 84,675.55 |
| Total expenditures | <u>\$ 539,749.88</u> | <u>\$ 203,032.48</u> | <u>\$ 742,782.36</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 39,977.51</u> | <u>\$ (62,413.95)</u> | <u>\$ (22,436.44)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 5,756.78 | \$ - | \$ 5,756.78 |
| Proceeds from the sale of general capital assets | - | 513.83 | 513.83 |
| Total other financing sources and uses | <u>\$ 5,756.78</u> | <u>\$ 513.83</u> | <u>\$ 6,270.61</u> |
| Net change in fund balance | <u>\$ 45,734.29</u> | <u>\$ (61,900.12)</u> | <u>\$ (16,165.83)</u> |
| Fund balances - beginning | <u>\$ 334,252.46</u> | <u>\$ 842,088.62</u> | <u>\$ 1,176,341.08</u> |
| Fund balances - ending | <u>\$ 379,986.75</u> | <u>\$ 780,188.50</u> | <u>\$ 1,160,175.25</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, 2014

| | | |
|---|----|----------------------------|
| Total fund balances - governmental funds | \$ | 1,160,175.25 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 364,069.41 |
| Other assets are not available for current-period expenditures and, therefore, are deferred inflows of resources in the funds | | 21,143.05 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | (38,433.00) |
| Total net position - governmental activities | \$ | <u><u>1,506,954.71</u></u> |

See accompanying notes to the financial statements

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

| | | |
|---|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (16,165.83) |
| <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p> | | |
| - Capital assets purchased | | 84,675.55 |
| - Depreciation expense | | (37,367.14) |
| - Gain (loss) on the disposal of capital assets | | 513.83 |
| - Proceeds from the sale of capital assets | | (513.83) |
| <p>Tax and assessment revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p> | | |
| - Tax and assessment receivables (change in deferred revenues) | | 546.05 |
| <p>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:</p> | | |
| -Change in compensated absence liability | | (11,065.00) |
| Change in net position - Statement of Activities | \$ | 20,623.63 |

See accompanying notes to the financial statements

**Town of Stevensville
Statement of Net Position
Proprietary Funds
June 30, 2014**

**Business-Type Activities
Enterprise Funds**

| | 5210 | 5310 | 5610 | |
|---|------------------------|------------------------|------------------------|-------------------------|
| | Water | Sewer | Airport | Totals |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 850,161.14 | \$ 245,585.84 | \$ 86,153.66 | \$ 1,181,900.64 |
| Taxes and assessments receivable, net | 1,247.52 | 1,687.63 | - | 2,935.15 |
| Accounts receivable - net | 15,111.01 | 67,072.72 | - | 82,183.73 |
| Due from other governments | 316,711.66 | 61,907.08 | - | 378,618.74 |
| Total Current Assets | <u>\$ 1,183,231.33</u> | <u>\$ 376,253.27</u> | <u>\$ 86,153.66</u> | <u>\$ 1,645,638.26</u> |
| Noncurrent Assets | | | | |
| Restricted cash and investments | \$ 157,968.00 | \$ 203,016.00 | \$ - | \$ 360,984.00 |
| Capital assets - land | 49,007.74 | 16,627.30 | 597,562.65 | 663,197.69 |
| Capital assets - construction in progress | 2,842,459.54 | - | - | 2,842,459.54 |
| Capital assets - net of depreciation | 1,500,726.86 | 4,433,935.69 | 1,885,703.83 | 7,820,366.38 |
| Total Noncurrent Assets | <u>\$ 4,550,162.14</u> | <u>\$ 4,653,578.99</u> | <u>\$ 2,483,266.48</u> | <u>\$ 11,687,007.61</u> |
| Total Assets | <u>\$ 5,733,393.47</u> | <u>\$ 5,029,832.26</u> | <u>\$ 2,569,420.14</u> | <u>\$ 13,332,645.87</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 353,060.54 | 112,973.84 | 4,067.09 | 470,101.47 |
| Accrued interest payable | 48,000.00 | - | - | 48,000.00 |
| Current portion of long-term capital liabilities | 54,000.00 | 46,000.00 | 6,400.00 | 106,400.00 |
| Current portion of compensated absences payable | 14,166.50 | 12,445.00 | 45.50 | 26,657.00 |
| Total Current Liabilities | <u>\$ 469,227.04</u> | <u>\$ 171,418.84</u> | <u>\$ 10,512.59</u> | <u>\$ 651,158.47</u> |
| Noncurrent Liabilities | | | | |
| Deposits payable | \$ 613.88 | \$ (23.35) | \$ - | \$ 590.53 |
| Noncurrent portion of long-term capital liabilities | 2,119,000.00 | 2,427,404.98 | 36,705.66 | 4,583,110.64 |
| Noncurrent portion of compensated absences | 14,166.50 | 12,445.00 | 45.50 | 26,657.00 |
| Total Noncurrent Liabilities | <u>\$ 2,133,780.38</u> | <u>\$ 2,439,826.63</u> | <u>\$ 36,751.16</u> | <u>\$ 4,610,358.17</u> |
| Total Liabilities | <u>\$ 2,603,007.42</u> | <u>\$ 2,611,245.47</u> | <u>\$ 47,263.75</u> | <u>\$ 5,261,516.64</u> |
| NET POSITION | | | | |
| Government Wide Format: | | | | |
| Net investment in capital assets | \$ 2,219,194.14 | \$ 1,977,158.01 | \$ 2,440,160.82 | \$ 6,636,512.97 |
| Restricted for replacement and depreciation | 66,960.00 | 83,160.00 | - | 150,120.00 |
| Restricted for debt service | 91,008.00 | 119,856.00 | - | 210,864.00 |
| Unrestricted | 753,223.91 | 238,412.78 | 81,995.57 | 1,073,632.26 |
| Total Net Position | <u>\$ 3,130,386.05</u> | <u>\$ 2,418,586.79</u> | <u>\$ 2,522,156.39</u> | <u>\$ 8,071,129.23</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, 2014

Business-Type Activities
Enterprise Funds

| | 5210 | | 5310 | | 5610 | | Totals |
|---|-----------------|----|--------------|----|--------------|----|--------------|
| | Water | | Sewer | | Airport | | |
| OPERATING REVENUES | | | | | | | |
| Charges for services | \$ 470,157.31 | \$ | 275,552.56 | \$ | 29,335.30 | \$ | 775,045.17 |
| Special assessments | - | | 214,004.04 | | - | | 214,004.04 |
| Total Operating Revenues | \$ 470,157.31 | \$ | 489,556.60 | \$ | 29,335.30 | \$ | 989,049.21 |
| OPERATING EXPENSES | | | | | | | |
| Personal services | \$ 143,142.78 | \$ | 136,049.80 | \$ | 3,737.96 | \$ | 282,930.54 |
| Supplies | 35,104.23 | | 25,336.64 | | 1,175.33 | | 61,616.20 |
| Purchased services | 73,233.00 | | 95,426.88 | | 11,793.10 | | 180,452.98 |
| Fixed charges | 6,696.81 | | 9,789.77 | | 2,032.12 | | 18,518.70 |
| Depreciation | 43,451.07 | | 128,442.41 | | 177,816.18 | | 375,387.93 |
| Total Operating Expenses | \$ 301,627.89 | \$ | 395,045.50 | \$ | 196,554.69 | \$ | 918,906.35 |
| Operating Income (Loss) | \$ 168,529.42 | \$ | 94,511.10 | \$ | (167,219.39) | \$ | 70,142.86 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | |
| Taxes/assessments revenue | \$ - | \$ | - | \$ | 4,000.00 | \$ | 4,000.00 |
| Intergovernmental revenue | - | | - | | 4,108.44 | | 4,108.44 |
| Interest revenue | 209.05 | | 93.95 | | 0.51 | | 303.51 |
| Debt service interest expense | (49,076.35) | | (100,993.02) | | (1,108.12) | | (151,177.49) |
| Total Non-Operating Revenues (Expenses) | \$ (48,867.30) | \$ | (100,899.07) | \$ | 7,000.83 | \$ | (142,765.54) |
| Income (loss) before contributions, transfers, special & extraordinary items | \$ 119,662.12 | \$ | (6,387.97) | \$ | (160,218.56) | \$ | (72,622.68) |
| Capital contributions | \$ 601,785.52 | | 562,794.79 | | 339,454.00 | | 1,504,034.31 |
| Change in net position | \$ 721,447.64 | \$ | 556,406.82 | \$ | 179,235.44 | \$ | 1,431,411.63 |
| Net Position - Beginning of the year | 2,408,938.41 | | 1,862,179.97 | | 2,368,599.22 | | 6,639,717.60 |
| Net Position - End of the year | \$ 3,130,386.05 | \$ | 2,418,586.79 | \$ | 2,547,834.66 | \$ | 8,071,129.23 |

See accompanying notes to the financial statements

**Town of Stevensville
STATEMENT OF CASH FLOWS
MAJOR PROPRIETARY FUNDS
FISCAL YEAR ENDED
June 30, 2014
Business-type Activities**

| Description | 5210 Water | 5310 Sewer | 5610 Airport | Total Major Business-Type Funds |
|--|-------------------|-------------------|---------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | 469,741.29 | 489,893.88 | 33,335.30 | 992,970.47 |
| Cash paid to suppliers | 196,061.30 | (19,872.39) | (11,288.93) | 164,899.98 |
| Cash paid to employees | (142,437.78) | (135,510.80) | (3,770.96) | (281,719.54) |
| Net cash provided (used) by operating activities | 523,364.81 | 334,510.69 | 18,275.41 | 876,150.91 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from debt | 2,173,000.00 | - | 16,557.00 | 2,189,557.00 |
| Purchases/acquisition/construction of capital assets | (1,978,328.94) | (788,134.48) | (355,897.27) | (3,122,360.69) |
| Principal on debt | (877,221.05) | (43,978.98) | (6,229.50) | (927,429.53) |
| Interest paid on debt | (17,127.89) | (100,993.02) | (1,108.12) | (119,229.03) |
| Proceeds from intergovernmental capital grants | 324,911.97 | 500,887.71 | 343,562.44 | 1,169,362.12 |
| Net cash provided (used) by capital and related financing activities | (374,765.91) | (432,218.77) | (3,115.45) | (810,100.13) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earnings | 209.05 | 93.95 | 0.51 | 303.51 |
| Net cash provided (used) by investing activities | 209.05 | 93.95 | 0.51 | 303.51 |
| Net increase (decrease) in cash and cash equivalents | 148,807.95 | (97,614.13) | 15,160.47 | 66,354.29 |
| Cash and cash equivalents as of: | | | | |
| June 29, 2013 | 859,321.19 | 546,215.97 | 70,993.19 | 1,476,530.35 |
| June 30, 2014 | 1,008,129.14 | 448,601.84 | 86,153.66 | 1,542,884.64 |
| Operating income (loss) | 168,529.42 | 94,511.10 | (167,219.37) | 70,142.86 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Depreciation expense | 43,451.07 | 128,442.41 | 203,494.45 | 375,387.93 |
| (Increase) Decrease in accounts receivable | 831.50 | 2,024.91 | (25,678.29) | 2,856.41 |
| (Increase) Decrease in intergovernmental receivables | - | - | 4,000.00 | 4,000.00 |
| Increase (decrease) in warrants/accounts payable | 311,095.34 | 110,680.90 | 3,711.62 | 425,487.86 |
| Increase (decrease) in compensated absences pay. | 705.00 | 539.00 | (33.00) | 1,211.00 |
| (Increase) decrease in assessments receivable | (1,247.52) | (1,687.63) | - | (2,935.15) |
| Total adjustments | 354,835.39 | 239,999.59 | 185,494.78 | 806,008.05 |
| Net cash provided (used) by operating activities | 523,364.81 | 334,510.69 | 18,275.41 | 876,150.91 |

Town of Stevensville
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

| | | <u>Agency Funds</u> |
|---|----|-------------------------|
| ASSETS | | |
| Cash and short-term investments | \$ | 114,378.27 |
| Taxes and assessments receivable, net | | 284.28 |
| Total receivables | | <u>284.28</u> |
| Total Assets | \$ | <u>114,662.55</u> |
| LIABILITIES | | |
| Warrants payable | \$ | 123,050.81 |
| Due to other governments | | (8,388.26) |
| Total Liabilities | \$ | <u>114,662.55</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 BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The government adopted the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the 2014 fiscal year. This Statement results in presentation changes due to the reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and reclassification, as outflows of resources (expenses) and inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

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 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

B. Government-wide and fund financial statements

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

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

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

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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 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 deferred tax/assessment revenue, a deferred inflow of resources, since they are not available to pay liabilities of the current period.

Both financial statements presented on the accrual basis of accounting and the modified accrual basis of accounting recognize grants and similar items, pending purely routine requirements such as filing reimbursement and/or progress reports, where all eligibility requirements imposed by the provider have been met, other than time requirements, as revenue in the current period. Grants and similar items received prior to meeting time requirements but after all eligibility requirements are met, are recognized as deferred inflows of resources until use is required or first permitted.

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.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

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

Additionally, the government reports the following fund types:

Fiduciary Funds

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 62. The Statement codifies the requirements of all pre-November 30, 1989 FASB and AICPA pronouncements that apply to state and local governments. Both the government-wide and proprietary fund financial statements follow the guidance of the Governmental Accounting Standards Board. Governments can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including Statement No. 62. The government has adopted the provisions of GASB Statement No. 62.

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

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

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

D. Assets, deferred outflows of resources, liabilities, deferred outflows of resources, and fund balance/net position

1. Deposits and investments

The Town cash and cash equivalents are considered to be cash on hand, demand and savings deposits and short-term investments with original maturity dates of three months or less from the date of acquisition.

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as either "due to/from other funds" (i.e., interfund loans due within one year) or "advances to/from other funds" (i.e., interfund loans due in more than one year). 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 revenues, a deferred inflow of resources account, since they are not available to pay liabilities of the current period. All property tax levies are set at the time of the adoption of the annual budget. The real estate taxes are payable in two installments, the first due by November 30 and the second by May 31. Personal property taxes are assessed in April or May and are payable within 30 days of the issuance of the notice.

3. Inventories and prepaid items

The Town had no amounts recorded for inventories or prepaid items as of June 30, 2014

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

D. Assets, deferred outflows of resources, liabilities, deferred outflows of resources, and fund balance/net position -cont.

4. Restricted assets

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

5. Capital assets

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

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

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | <u>39</u> |
| Building improvements | <u>10-39</u> |
| Machinery & Equipment | <u>7</u> |
| Infrastructure | <u>15-50</u> |

6. Deferred outflows of resources

Deferred outflow of resources is a financial statement element. A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The government-wide statement of net position, proprietary fund statement of net position, and governmental fund balance sheet report a separate section for deferred outflows of resources. Deferred outflows of resources may be disclosed on the face of the financial statements, in the notes to the financial statements, or a combination of both. The Town reported no amounts for deferred outflows of resources as of June 30, 2014.

7. 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.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont.

D. Assets, deferred outflows of resources, liabilities, deferred outflows of resources, and fund balance/net position -cont.

8. 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 position. 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.

9. Deferred inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. The government-wide statement of net position, proprietary fund statement of net position, and governmental fund balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources may be disclosed on the face of the financial statements, in the notes to the financial statements, or a combination of both. Deferred inflows of resources not disclosed on the face of the financial statements are as follows:

10. Fund balance/Net Position

Governmental Accounting Standards Board (GASB) Statement No. 54 requires presentation of governmental fund balances by specific purpose. In the governmental fund financial statements, the fund balance classifications are presented either discretely or in the aggregate for the following fund balance classifications: non-spendable, restricted, committed, assigned and unassigned. GASB Statement No. 63 resulted in presentation changes in the government-wide and proprietary fund financial statements. Among other changes, equity is classified as 'net position'. Components of net position are net investment in capital assets, restricted, and unrestricted. See notes K and L for further information.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position.

Please refer to the reconciliation of the Balance Sheet to the Statement of Net Position for Governmental Funds.

B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

Please refer to the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities for Governmental Funds.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

3. COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget and the final adoption of the budget by the later of the 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.

B. Excess of expenditures over appropriations

The Building Code Enforcement Fund, a special revenue fund, had excess expenditures over appropriations in the amount of \$9,297.61.
The Creekside Lighting District #4, a special revenue fund, had excess expenditures over appropriations in the amount of \$288,82

C. Deficit fund balance/net position

The Town had no funds with deficit fund balance/net position as of June 30, 2014.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

As of June 30, 2014, the government had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|---|----------------------|--|
| U.S. Treasuries | | |
| Repurchase Agreements | | |
| State Short-Term Investment Pool (STIP) | | |
| Certificates of Deposits | \$ 130,689.43 | |
| Total fair value | <u>\$ 130,689.43</u> | |
| Portfolio weighted average maturity | | |

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

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

Concentration of credit risk. The Town's investments contain an element of concentration of credit risk since all of the investments represent over 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.

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

The Town had no due from/advance to other funds and due to/advance from other funds as of June 30, 2014.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

C. Capital assets

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

| | Beginning Balance | Increases | Decreases | Reclassifications | Ending Balance |
|---|-----------------------|---------------------|--------------------|-----------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | 2,707.00 | | | | 2,707.00 |
| Other | | | | | - |
| Total capital assets not being depreciated | <u>2,707.00</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,707.00</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 427,934.00 | | | | 427,934.00 |
| Improvements other than buildings | 109,005.15 | 14,490.53 | | | 123,495.68 |
| Machinery and equipment | 583,587.09 | 48,819.52 | (16,700.00) | | 615,706.61 |
| Infrastructure | | 21,365.50 | | | 21,365.50 |
| Other | | | | | - |
| Total capital assets being depreciated | <u>1,120,526.24</u> | <u>84,675.55</u> | <u>(16,700.00)</u> | <u>-</u> | <u>1,188,501.79</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (313,767.49) | (10,110.72) | | | (323,878.21) |
| Improvements other than buildings | (56,440.83) | (4,868.32) | | | (61,309.15) |
| Machinery and equipment | (436,264.80) | (20,963.74) | 16,700.00 | | (440,528.54) |
| Infrastructure | | (1,424.37) | | | (1,424.37) |
| Other | | | | | - |
| Total accumulated depreciation | <u>(806,473.12)</u> | <u>(37,367.14)</u> | <u>16,700.00</u> | <u>-</u> | <u>(827,140.26)</u> |
| Total capital assets being depreciated | <u>314,053.12</u> | <u>47,308.41</u> | <u>-</u> | <u>-</u> | <u>361,361.53</u> |
| Governmental activities capital assets net | <u>316,760.12</u> | <u>47,308.41</u> | <u>-</u> | <u>-</u> | <u>364,068.53</u> |
| Business-type activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | 663,197.69 | | | | 663,197.69 |
| Construction in progress | 1,033,970.81 | 3,047,171.69 | | (1,238,682.96) | 2,842,459.54 |
| Other | | | | | - |
| Total capital assets not being depreciated | <u>1,697,168.50</u> | <u>3,047,171.69</u> | <u>-</u> | <u>(1,238,682.96)</u> | <u>3,505,657.23</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 155,977.00 | | | | 155,977.00 |
| Improvements other than buildings | 2,853,978.80 | | | | 2,853,978.80 |
| Machinery and equipment | 354,532.00 | 75,189.00 | | | 429,721.00 |
| Source of supply | 84,754.00 | | | | 84,754.00 |
| Pumping plant | 18,900.00 | | | | 18,900.00 |
| Treatment plant | 5,823,258.93 | | | | 5,823,258.93 |
| Transmission and distribution | 1,360,916.44 | | | 853,508.81 | 2,214,425.25 |
| Infrastructure | | | | 385,174.15 | 385,174.15 |
| Other | | | | | - |
| Total capital assets being depreciated | <u>10,652,317.17</u> | <u>75,189.00</u> | <u>-</u> | <u>1,238,682.96</u> | <u>11,966,189.13</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (92,907.00) | (3,999.41) | | | (96,906.41) |
| Improvements other than buildings | (1,270,759.98) | (164,515.10) | | | (1,435,275.08) |
| Machinery and equipment | (230,225.01) | (21,010.95) | | | (251,235.95) |
| Source of supply | (84,754.00) | | | | (84,754.00) |
| Pumping plant | (18,900.00) | | | | (18,900.00) |
| Treatment plant | (2,018,452.17) | (120,772.89) | | | (2,139,225.06) |
| Transmission and distribution | (54,436.66) | (39,411.31) | | | (93,847.97) |
| Infrastructure | | (25,678.28) | | | (25,678.28) |
| Other | | | | | - |
| Total accumulated depreciation | <u>(3,770,434.82)</u> | <u>(375,387.93)</u> | <u>-</u> | <u>-</u> | <u>(4,145,822.75)</u> |
| Total capital assets being depreciated | <u>6,881,882.35</u> | <u>(300,198.93)</u> | <u>-</u> | <u>1,238,682.96</u> | <u>7,820,366.38</u> |
| Business-Type activities capital assets net | <u>8,579,050.85</u> | <u>2,746,972.76</u> | <u>-</u> | <u>-</u> | <u>11,326,023.61</u> |

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

C. Capital assets - cont.

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

| | |
|---|------------|
| Governmental activities: | |
| General government | \$ 3,138 |
| Public safety | \$ 22,772 |
| Public works | \$ 10,005 |
| Culture and recreation | \$ 1,452 |
| Uncategorized | |
| Total depreciation expense - governmental activities | \$ 37,367 |
| Business-type activities: | |
| Water utilities | \$ 43,451 |
| Sewer utilities | \$ 128,442 |
| Airport | \$ 203,494 |
| Total depreciation expense - business-type activities | \$ 375,388 |

D. Operating leases

The Town has no operating leases as of June 30, 2014.

E. Long-term debt

The County/City/Town has assumed the following long-term debt:

1. **General Obligation Bonds** The Town had no General Obligation Bonds payable at June 30, 2014.

|

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

E. Long-term debt - cont.

2. Revenue Bonds

Revenue Bonds payable at June 30, 2014 are comprised of the following issues:

| Purpose | Issue Date | Interest Rate | Term of years | Final maturity | Bonds issued | Outstanding June 30, 2014 | Annual serial payment |
|----------------------------|------------|---------------|---------------|----------------|---------------------|---------------------------|-----------------------|
| Sewer RUS #1 | 12/19/00 | 4.500% | 40 | 5/19/40 | \$ 1,250,000 | 1,041,464.44 | varies |
| Sewer RUS #3 | 12/19/00 | 4.500% | 40 | 5/19/40 | \$ 814,000 | 678,201.63 | varies |
| Sewer RUS #2 | 12/14/11 | 3.000% | 40 | 5/19/51 | \$ 780,000 | 753,738.91 | varies |
| Water RD #1 | 8/15/13 | 2.800% | 40 | 8/15/54 | \$ 2,173,000 | 2,173,000.00 | varies |
| Total Revenue Bonds | | | | | \$ 5,017,000 | 4,646,404.98 | - |

3. Special Assessment Bonds

The Town had no Special Assessment Bonds payable at June 30, 2014.

4. Contracts, Notes, or Loans

| Purpose | Original Amount | Date of Issue | Interest Rate | Outstanding 6/30/2014 | Date of Last Payment |
|---|------------------|---------------|---------------|-----------------------|----------------------|
| Montana Aeronautics #2 | 46,045.00 | 1/17/08 | 4.130% | \$ 18,418 | 2/28/18 |
| Montana Aeronautics #3 (10GL) | 16,250.00 | 9/3/09 | 1.625% | \$ 8,131 | 2/28/19 |
| Montana Aeronautics #4 (14GL) | 16,557.00 | 12/19/13 | 1.625% | \$ 16,557 | 2/28/23 |
| Total Contracts, Notes, or Loans | 78,852.00 | | | \$ 43,106 | |

F. Property leased to others

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

| Whom leased to | Description of leased property | Duration of lease | Minimum annual payment |
|----------------------------------|--------------------------------|-------------------|------------------------|
| CHARTER COMMUNICATIONS | land | 12/31/14 (30 yrs) | \$2400 |
| STEVENSVILLE RURAL FIRE DISTRICT | MEETING ROOMS 4 2 days | ONGOING | \$8000 |

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

OTHER POST EMPLOYMENT BENEFITS (OPEB) NOTE DISCLOSURE

The Town has not implemented GASB Statement 45.

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

G. Pending Litigation

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

| Case | Damages requested | Potential of loss* (Mark with X) | | |
|------|-------------------|----------------------------------|---|---|
| | | 1 | 2 | 3 |
| N/A | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

*The potential for loss

1 - **Probable** - The future event or events are likely to occur.

2 - **Reasonably possible** - The chance of the future event or events occurring is more than remote but less than likely.

3 - **Remote** - The chance of the future event or events occurring is slight.

H. Restatements/prior period adjustments

The Town reports no restatements/prior period adjustments in fiscal year ending June 30, 2014.

I. Significant difference between deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability

The Town had no Significant difference between deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability in fiscal year ending June 30, 2014.

J. Pension and retirement plans

| The Town participates in the Montana Public Employees Retirement System. The contributions to the plans for the fiscal year are as follows: | Employer share of retirement contribution expenses | Employee share of retirement contribution | Total |
|---|--|---|-----------|
| a. Public Employee's Retirement System (Town) | 36,553 | 35,683 | \$ 72,236 |
| Total | 36,553.00 | 35,683.00 | \$ 72,236 |

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

K. **Fund Balance/Net Position**

1. **Fund Balance**

Statement No. 54 - "Fund Balance Reporting and Governmental 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.

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/net position classification includes amounts that can be spent only for specific purposes which are externally imposed either by:

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

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

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

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

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

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

2. Net Position

The government-wide and proprietary fund financial statements report net position. Net position represent the difference between assets plus deferred outflow of resources and liabilities plus deferred inflows of resources. Components of net position are net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation plus capital related deferred outflows of resources, less outstanding balance of any related borrowing used for the acquisition, construction, or improvement of those assets and capital related deferred inflows of resources. Restricted net position is defined above (see J1.), and unrestricted net position is any portion of net position that does not meet the definition of net investment in capital assets and restricted.

Town of Stevensville
NOTE TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

4. DETAILED NOTES ON ALL FUNDS - cont.

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

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

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

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

M. **Major Special Revenue Funds:**

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

| Major Special Revenue Fund: | Revenue Source(s): |
|------------------------------------|---------------------------|
| None reported | |
| | |
| | |
| | |
| | |
| | |
| | |

N. **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

O. **Minimum Fund Balance Policy:**

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

Town of Stevensville
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 2014

5. **BOC SUPPLEMENT SCHEDULE**

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

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

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

| Amount - Omit cents | |
|---------------------|---------|
| \$ | 516,683 |

3. **Debt outstanding**

A. **Long-term debt outstanding, issued and retired**

| Purpose | Bonds Outstanding July 1, 2013 | Amount -- Omit cents | | | |
|---------------|-----------------------------------|------------------------------|------------------|---------------------------------|---------------------|
| | | Bonds during the fiscal year | | Outstanding as of June 30, 2014 | |
| | | Issued | Retired | General Obligation | Revenue bonds |
| Water utility | 19A \$ - | 29A \$ 2,173,000 | 39A | 41A | 44A \$ 2,173,000 |
| Sewer utility | 19X \$ 2,517,384 | 29X | 39X \$ 43,979 | 41X | 44X \$ 2,473,405 |

B. **Short-term debt**

| Type | Beginning of fiscal year | End of fiscal year |
|---------------------|--------------------------|--------------------|
| Registered warrants | 61V | 64V |
| Contracts payable | | |
| Notes payable | | |
| Totals | | |

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

| Type of funds | Amount -- Omit cents |
|--------------------------------|----------------------|
| General fund (1000) | W61 \$ 392,383 |
| Special revenue funds (2000) | W61 \$ 490,660 |
| Debt Service funds (3000) | W01 \$ - |
| Capital projects funds (4000) | W31 \$ 308,489 |
| Enterprise funds (5000) | W61 \$ 1,604,792 |
| Internal services funds (6000) | \$ - |
| Trust and agency funds (7000) | \$ 114,378 |
| Permanent funds (8000) | \$ - |
| Total cash all funds | \$ 2,910,702 |

Form BOC-1

**REQUIRED
SUPPLEMENTARY
INFORMATION**

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2014

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|--|--------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | | | | |
| Property Taxes | 253,050.00 | 253,050.00 | 251,832.77 | (1,217.23) |
| Local option taxes | 39,500.00 | 39,500.00 | 47,519.20 | 8,019.20 |
| Licenses and permits | | | | |
| Alcoholic beverage licenses | 1,900.00 | 1,900.00 | 2,150.00 | 250.00 |
| Franchise fees | 1,800.00 | 1,800.00 | 2,446.01 | 646.01 |
| Animal licenses | 450.00 | 450.00 | 289.00 | (161.00) |
| Other licenses and permits | 2,150.00 | 2,150.00 | 3,865.00 | 1,715.00 |
| Intergovernmental revenue (See supplemental section for detail) | | | | |
| Federal grants | 0.00 | 0.00 | 5,113.43 | 5,113.43 |
| State grants | 0.00 | 0.00 | 6,650.00 | 6,650.00 |
| State shared revenues | 174,606.00 | 174,606.00 | 174,963.84 | 357.84 |
| Charges for services | | | | |
| Public safety | 3,000.00 | 3,000.00 | 3,000.00 | 0.00 |
| Public works | 12,000.00 | 12,000.00 | 15,332.00 | 3,332.00 |
| Culture and recreation | 27,300.00 | 27,300.00 | 24,180.35 | (3,119.65) |
| Fines and forfeitures | | | | |
| City court | 25,000.00 | 25,000.00 | 19,194.00 | (5,806.00) |
| Miscellaneous | | | | |
| Investment and royalty earnings | 18,310.00 | 18,310.00 | 22,740.11 | 4,430.11 |
| | 100.00 | 100.00 | 451.68 | 351.68 |
| Total revenues | 559,166.00 | 559,166.00 | 579,727.39 | 20,561.39 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative services | | | | |
| Executive services | | | | |
| Personal services | 15,562.00 | 15,562.00 | 15,950.22 | (388.22) |
| Supplies/services/materials, etc | 6,560.00 | 6,560.00 | 5,403.70 | 1,156.30 |
| Judicial services | | | | |
| Personal services | 32,255.00 | 32,255.00 | 34,369.92 | (2,114.92) |
| Supplies/services/materials, etc | 6,229.00 | 6,229.00 | 5,670.49 | 558.51 |
| Administrative services | | | | |
| Financial services | | | | |
| Personal services | 48,689.00 | 48,689.00 | 51,195.21 | (2,506.21) |
| Supplies/services/materials, etc | 21,422.00 | 21,422.00 | 21,952.30 | (530.30) |
| Elections | | | | |
| Supplies/services/materials, etc | 1,200.00 | 1,200.00 | 1,957.78 | (757.78) |
| Purchasing services | | | | |
| Personnel services | | | | |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2014

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|-----------------------------------|--------------------|-----------------|-------------------|---|
| Records administration | | | | |
| Legal services | | | | |
| Supplies/services/materials, etc | 15,000.00 | 15,000.00 | 10,385.00 | 4,615.00 |
| Planning and research services | | | | |
| Facilities administration | | | | |
| Supplies/services/materials, etc | 10,834.00 | 10,834.00 | 7,311.10 | 3,522.90 |
| Estate Administration | | | | |
| Public school administration | | | | |
| Other general government services | | | | |
| Public Safety: | | | | |
| Law enforcement services | | | | |
| Personal services | 144,541.00 | 144,541.00 | 146,378.59 | (1,837.59) |
| Supplies/services/materials, etc | 40,371.00 | 40,371.00 | 42,404.41 | (2,033.41) |
| Detention and correction | | | | |
| Probation and parole | | | | |
| Fire protection | | | | |
| Personal services | 10,466.00 | 10,466.00 | 11,310.63 | (844.63) |
| Supplies/services/materials, etc | 38,250.00 | 38,250.00 | 27,975.90 | 10,274.10 |
| Protective inspections | | | | |
| Civil defense | | | | |
| Emergency services | | | | |
| Other public safety services | | | | |
| Public Works: | | | | |
| Public works administration | | | | |
| Personal services | 36,391.00 | 36,391.00 | 41,166.14 | (4,775.14) |
| Supplies/services/materials, etc | 3,900.00 | 3,900.00 | 3,269.25 | 630.75 |
| Road and street services | | | | |
| Personal services | 0.00 | 0.00 | 6.72 | (6.72) |
| Supplies/services/materials, etc | 33,046.00 | 33,046.00 | 27,986.01 | 5,059.99 |
| 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 | 14,471.00 | 14,471.00 | 14,051.82 | 419.18 |
| Supplies/services/materials, etc | 7,050.00 | 7,050.00 | 4,058.92 | 2,991.08 |
| Capital outlay | 750.00 | 750.00 | 0.00 | 750.00 |
| Public scales | | | | |
| Weed control | | | | |
| Flood control | | | | |
| Central shop services | | | | |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2014

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|---|--------------------|-------------------|-------------------|---|
| Other public works services | | | | |
| 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 | 7,500.00 | 7,500.00 | 9,819.85 | (2,319.85) |
| Capital outlay | 1,500.00 | 1,500.00 | 0.00 | 1,500.00 |
| Participant recreation | | | | |
| Spectator recreation | | | | |
| Personal services | 26,203.00 | 26,203.00 | 23,973.47 | 2,229.53 |
| Supplies/services/materials, etc | 8,175.00 | 8,175.00 | 11,209.45 | (3,034.45) |
| Capital outlay | 800.00 | 800.00 | 0.00 | 800.00 |
| 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 | 19,000.00 | 19,000.00 | 21,943.00 | (2,943.00) |
| Total expenditures | 552,165.00 | 552,165.00 | 539,749.88 | 12,415.12 |

35. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2014

1000 GENERAL

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Neg) |
|--|--------------------|-----------------|-------------------|---|
| Excess of revenues over (under) expenditures | 7,001.00 | 7,001.00 | 39,977.51 | 32,976.51 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 0.00 | 0.00 | 5,756.78 | 5,756.78 |
| Transfers out | (4,000.00) | (4,000.00) | 0.00 | 4,000.00 |
| Total other financing sources (uses) | (4,000.00) | (4,000.00) | 5,756.78 | 9,756.78 |
| Net change in fund balance | 3,001.00 | 3,001.00 | 45,734.29 | 42,733.29 |
| Fund balance - July 1, 2013 - -As previously reported | 334,252.46 | 334,252.46 | 334,252.46 | 0.00 |
| Fund balance - July 1, 2013 - As restated | 334,252.46 | 334,252.46 | 334,252.46 | 0.00 |
| Fund balance - June 30, 2014 | 337,253.46 | 337,253.46 | 379,986.75 | 42,733.29 |

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

INDEPENDENT AUDITOR'S REPORT

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 the Town of Stevensville as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Stevensville's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Stevensville's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stevensville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Town of Stevensville'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 black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Helena, Montana
June 30, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Stevensville, Montana

Report on Compliance for Each Major Federal Program

We have audited the Town of Stevensville's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Stevensville's major federal programs for the year ended June 30, 2014. The Town of Stevensville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Stevensville's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Stevensville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town of Stevensville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Stevensville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Stevensville's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Helena, Montana
June 30, 2015

TOWN OF STEVENSVILLE, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2014

| Federal CFDA Number | Grantor Program Title | 2014 Federal Expenditures |
|--|--|---------------------------------|
| <u>U.S. Department of Agriculture</u> | | |
| Passed through Montana DNRC | | |
| 10.760 | Water and Waste Disposal Systems for Rural Communities | 2,936,769 |
| | Total U.S. Department of Agriculture | 2,936,769 |
| <u>U.S. Department of Transportation</u> | | |
| Passed through Montana Department of Transportation | | |
| 20.106 | Airport Improvement Program | 332,204 |
| | Total U.S. Department of Transportation | 332,204 |
| | Total Federal Expenditures | 3,268,973 |

Note to the Schedule of Expenditures of Federal Awards:

1) This schedule was prepared using the accrual basis of accounting.

Town of Stevensville

June 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|--------------|-------------------|
| Are any material weaknesses identified? | ___ Yes | <u>X</u> No |
| Are any significant deficiencies identified not considered to be material weaknesses? | <u>X</u> Yes | ___ None Reported |
| Is any noncompliance material to financial statements noted? | ___ Yes | <u>X</u> No |

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

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

Identification of major programs:

| CFDA Number(s) | and Name of Federal Program or Cluster |
|----------------|--|
| 10.760 | Water and Waste Disposal Systems for Rural Communities |
| 20.106 | Airport Improvement Program |

| | |
|--|---------------------|
| Enter the dollar threshold used to distinguish between Type A and Type B programs: | \$ <u>300,000</u> |
| Is the auditee qualified as a low-risk auditee? | ___ Yes <u>X</u> No |

Town of Stevensville

June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001: Significant Deficiency - Account Reconciliations

Criteria: To assist in timely and accurate financial reporting, all accounts should be reconciled to the underlying accounting records and supporting documentation on at least a monthly basis. Additionally, those charged with governance should review and approve account reconciliations.

Condition: During our examination, we noted that the checking account did not reconcile to the AFR (annual financial report). We also noted that the utility billing reports did not reconcile to the accounts receivable balance as reported on the AFR.

Cause:

Cash: A large cash receipt was recorded in the accounting system as deposits in transit, although it was not received until after year end. The Town corrected the error by posting a reclassification entry to accounts receivable.

Receivable: The accounts receivable balance for the water and sewer fund was not reconciled to the utility receivable report. As a result, the sewer receivable balance per the AFR included water fund receivables.

Recommendation: We recommend that bank reconciliations be prepared in accordance with generally accepted accounting principles. Additionally, the utility receivable report should be reconciled to the AFR.

Responsible Official's Response: Once the errors became apparent, adjusting entries were made.

Section III – Findings and Questioned Costs for Federal Awards

There were no findings related to compliance with grant requirements that are required to be reported in accordance with *Government Auditing Standards*.

Section IV – Current Status of Prior Year Findings

There were no prior year findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.