

**TOWN OF CASCADE  
CASCADE COUNTY  
CASCADE, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT  
Fiscal years Ended June 30, 2013 & 2014**

**Strom & Associates, P. C.**  
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Town of Cascade  
 Cascade County  
 Cascade, Montana 59421

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Town of Cascade  
Cascade County  
Cascade, Montana 59421

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Town of Cascade  
Cascade County  
Cascade, Montana 59421

ORGANIZATION

BOARD OF COUNCILORS

June 30, 2013

Murry Moore	Chair
Skip Reissing	Councilor
Del Voss	Councilor

June 30, 2014

Murry Moore	Chair
Robert Reissing	Councilor
Del Voss	Councilor
John Strandell	Trustee

OFFICIALS

William Peterson	Mayor
Ned Jennings	Attorney
Jodie Campbell	Clerk/Treasurer
Joe Voss	Public Works Director
Robert Maxwell	Assistant Clerk
Lauri Cary	Town Judge



**Town of Cascade, Cascade County  
Management's Discussion and Analysis  
June 30, 2014**

This section of the report provides the reader with a narrative and analysis of the financial activities of the Town of Cascade for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Town's financial performance.

**FINANCIAL HIGHLIGHTS**

The Town of Cascade's total net positions decreased by \$75,830. Total net positions were \$7,211,129 at the end of fiscal year 2014. Of this amount, \$292,866 may be used to meet the Town's ongoing debt obligations. The remaining \$6,918,263 includes \$5,861,233 in capital assets and \$956,582 in unrestricted assets.

The Town's general fund was \$201,002 as of June 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements contain four components: 1) Government Activities Financial Statements; 2) Business Type Activities financial statements; 3) Notes to the Financial Statements; and 4) Budgetary comparisons.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business.

*The Statement of Net Assets* (page 13) presents information between the two reported as net positions. Over time, increases and decreases in net positions may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

*The Statement of Activities* (page 14) presents information showing how the Town's net positions changed during the fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities include general government, public safety, public works, culture and recreation, debt service and miscellaneous items. The Town has two business-type activities – Operation of a water utility and a wastewater utility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cascade, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Cascade can be divided into three categories: a) Governmental funds; b) Proprietary funds; and c) Fiduciary funds.



### Governmental Funds

Governmental funds are used to account for essentially the same functions as reporting as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year.

Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances provide reconciliation between governmental funds and governmental activities view of financial positions. These statements are found on pages 14 – 23.

The Town of Cascade maintains several individual governmental funds. Information is presented separately for the General Fund, General Obligation Debt and all others.

### Proprietary funds

The Town of Cascade operates two utilities water and wastewater, which are proprietary enterprise funds. Enterprise funds are used to report the same functions presented as business-like activities in the government-wide financial statements. The proprietary fund statements provide detail information for the water and wastewater funds which are major enterprise funds. These statements are on pages 15 – 17 for fiscal year 2013 and 24 - 26 for fiscal year 2014.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of entities outside the Town. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the Town of Cascade's own operations. The Town of Cascade has one agency type fiduciary fund; the Cemetery Perpetual Care Fund. The agency fund is used as a clearing account for assets held by the Town of Cascade until the funds are disbursed to the beneficiaries of each plan. These funds are found on pages 18 – 27.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 28 – 41.

### Budgetary Comparisons

The Town of Cascade adopts an annual appropriated budget for all of its funds. A Budgetary Comparison Statement has been provided for its major governmental funds in the section entitled "Required Supplementary Information (RSI)" on page 43 - 45.

### Town Financial Analysis

Net Positions. As noted earlier, net positions may serve over time as a useful indicator of the government's financial position.

The following table provides a summary comparison of the Town's governmental and business-type net positions for fiscal year 2014.



ASSETS	Governmental Activities		Business-Type Activities	
	FY14	FY13	FY14	FY13
Current/other assets	\$525,715	\$310,204	\$1,046,956	\$838,794
Non-Current Assets	\$968,391	\$989,516	\$5,484,122	\$5,148,445
Total Assets	\$1,494,106	\$1,299,720	\$6,531,078	\$5,987,239
<b>LIABILITIES</b>				
Current Liabilities	\$10,264	\$4,617	\$222,222	\$87,572
Non-Current Liabilities	\$46,929	\$34,974	\$534,641	\$528,689
Total Liabilities	\$57,193	\$39,591	\$756,863	\$616,261
<b>NET POSITIONS</b>				
Invested in Capital Assets, Net of Related Debt	\$967,784	\$987,183	\$4,893,449	\$4,522,226
Restricted	\$292,866	\$199,178	\$100,448	\$100,448
Unrestricted	\$176,263	\$73,768	\$780,319	\$748,304
TOTAL NET POSITIONS	\$1,436,913	\$1,260,129	\$5,774,216	\$5,370,978

### Changes in Net Positions

Revenues	Governmental Activities		Business-Type Activities	
	FY14	FY13	FY14	FY13
<i>Program revenue (by major source)</i>				
Charge for services	\$137,300	\$113,777		
Business Type Activities			\$451,666	\$364,691
<i>General revenues (by major source)</i>				
Taxes/Assessments	\$83,822	\$88,704		
Miscellaneous	\$78,379	\$20,593		
Investment/Royalties	\$3,551	\$3,254		\$1,526
State Entitlement	\$78,379	\$79,503		
Local Option (Licenses)	\$25,103	\$13,180		
Total General Revenues	\$190,855	\$205,234		\$1,526
<b>Program Expense</b>				
General Government	\$101,826	\$99,714		
Public Safety	\$34,316	\$101,200		
Public Works	\$58,370	\$62,456		
Culture & Recreation	\$73,327	\$90,047		
Miscellaneous	\$14,324	\$4,208		
Interest/Other	\$102	\$283		
Water			\$335,228	\$33,060
Wastewater			\$66,598	\$55,370
Total Expenses	\$282,265	\$357,908	\$401,826	\$88,430
Change in Net Position	\$161,620	\$34,801	\$403,237	\$89,956

A significant portion of the Town's net positions reflect its investment in capital assets. These assets include land, buildings, machinery and equipment, as well as our infrastructure recorded.

### Financial Analysis of the Town's Funds

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



### Governmental Funds Overview

The focus of the Town governmental funds is to provide information on near-term inflows, outflows and balances of spendable resource. Such information is useful in assessing the Town's financing requirements. In particular unreserved fund balances may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the combined ending fund balances of Town governmental funds were \$1,436,913. Changes in governmental fund balance are reflected on page 14 with a net change of \$161,620.

The Town of Cascade has three major governmental funds: The General Fund, Memorial Endowment and Capital Projects (Parks).

The General Fund is the primary operating fund of the Town of Cascade government. It accounts for many of the Town's general and administrative services, such as legislative, financial, legal, law enforcement, fire, streets, lighting, cemetery services, parks and the swimming pool.

### Proprietary Funds Overview

The Town's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

The Town has two enterprise-type proprietary funds: the Water Fund and the Wastewater Fund.

The Water Fund net positions were \$3,937,068 as of June 30, 2014. This is compared to \$3,600,858 as of June 30, 2013 resulting in a net increase of \$336,210.

The Wastewater Fund net positions were \$1,837,147 as of June 30, 2014. This is compared to \$1,770,120 as of June 30, 2013 resulting in a net increase of \$67,027.

### General Fund Budgetary Highlights

The Town's budget is prepared according to 7-6-4020 Montana Code Annotated (MCA). The most significant budgeted fund is the General Fund.

The Town of Cascade budgeted \$243,320 for General Fund receipts and expenditures of \$233,770. Actual receipts and expenditures were \$250,250 and \$184,007 respectively. The General Fund balance at year end was \$209,333.

### Capital Asset and Debt Administration

The Town of Cascade investment in capital assets for its governmental and business type activities as of June 30, 2014 totals is \$989,516 (net of accumulated depreciation). The Town's asset capitalization policy limit is \$5,000.

Major capital asset events during current fiscal year include the following:

Phase III of the water project began to replace the remainder of the metal pipes in the ground. This will be complete in 2015.

Over the past two years, the Town has been replacing blocks of sewer line as funding is available. This year, the Town replaced three blocks of sewer without grant funding or loans.

The Wedsworth Library has been raising funds to complete the addition. This year, a new roof was put on at the expense of the Wedsworth Estate and Town.

Both pumps at the Madison Wells were replaced in fiscal year 2014.



INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council  
Town of Cascade  
Cascade County  
Cascade, Montana 59421

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cascade as of and for the years ended June 30, 2013 and June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cascade as of June 30, 2013 and 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 (pages 4 - 7) and the schedule of funding for other post-employment benefits other than pensions (pages 42) and budgetary comparison information (pages 43 - 45) 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014 on our consideration of Town of Cascade 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 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 Town of Cascade internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
December 29, 2014



STATEMENT OF NET POSITION  
 as of June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 293,122	\$ 796,882	\$ 1,090,004
Taxes Receivable	17,082	-	17,082
Accounts Receivable - Net	-	41,912	41,912
<b>Total Current Assets</b>	<b>310,204</b>	<b>838,794</b>	<b>1,148,998</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Cash Equivalents	-	100,448	100,448
<b>Capital Assets:</b>			
Land	64,710	390,306	455,016
Net Depreciable Assets	924,806	4,657,691	5,582,497
<b>Total Noncurrent Assets</b>	<b>989,516</b>	<b>5,148,445</b>	<b>6,137,961</b>
<b>Total Assets</b>	<b>\$ 1,299,720</b>	<b>\$ 5,987,239</b>	<b>\$ 7,286,959</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Current Portions Compensated Absences	\$ 4,132	\$ 10,229	\$ 14,361
Current Portion Long-Term Capital Obligations	485	77,343	77,828
<b>Total Current Liabilities</b>	<b>4,617</b>	<b>87,572</b>	<b>92,189</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Obligations	28,828	67,264	96,092
Compensated Absences	4,298	12,997	17,295
Long-Term Capital Obligations	1,848	448,428	450,276
<b>Total Noncurrent Liabilities</b>	<b>34,974</b>	<b>528,689</b>	<b>563,663</b>
<b>Total Liabilities</b>	<b>39,591</b>	<b>616,261</b>	<b>655,852</b>
<b>NET POSITION:</b>			
Net investment in capital assets	987,183	4,522,226	5,509,409
Restricted	199,178	100,448	299,626
Unrestricted (Deficit)	73,768	748,304	822,072
<b>Total Net Position</b>	<b>1,260,129</b>	<b>5,370,978</b>	<b>6,631,107</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,299,720</b>	<b>\$ 5,987,239</b>	<b>\$ 7,286,959</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF ACTIVITIES  
 for the year ended June 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>GOVERNMENT OPERATIONS</b>						
General government	\$ 99,714	\$ 69,039	\$ -	\$ (30,675)		\$ (30,675)
Public safety	101,200	4,259	37,417	(59,524)		(59,524)
Public works	62,456	4,020	17,165	(41,271)		(41,271)
Culture and recreation	90,047	49,639	5,389	(35,019)		(35,019)
Miscellaneous	4,208	-	-	(4,208)		(4,208)
Debt Service						
Interest and other charges	283	-	-	(283)		(283)
<b>Total Governmental Activities</b>	<b>357,908</b>	<b>126,957</b>	<b>59,971</b>	<b>(170,980)</b>		<b>(170,980)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	\$ 209,073	\$ 242,133	\$ -		\$ 33,060	33,060
Sewer	155,618	210,988	-		55,370	55,370
<b>Total Business-type activities</b>	<b>364,691</b>	<b>453,121</b>	<b>-</b>		<b>88,430</b>	<b>88,430</b>
<b>Total Primary Government</b>	<b>\$ 722,599</b>	<b>\$ 580,078</b>	<b>\$ 59,971</b>	<b>\$ (170,980)</b>	<b>\$ 88,430</b>	<b>\$ (82,550)</b>
<b>GENERAL REVENUES</b>						
Taxes/assessments				88,704	-	88,704
Local Shared Revenue				13,000	-	13,000
Intergovernmental revenues				79,503	-	79,503
Miscellaneous				21,320	-	21,320
Investment and royalty earnings				3,254	1,526	4,780
<b>Total General Revenues</b>				<b>205,781</b>	<b>1,526</b>	<b>207,307</b>
<b>Change in Net Position</b>				<b>34,801</b>	<b>89,956</b>	<b>124,757</b>
<b>Net Position</b>						
Beginning of the Year				1,245,417	5,281,022	6,526,439
Prior Period Adjustments				(20,089)	-	(20,089)
End of the Year				<b>\$ 1,260,129</b>	<b>\$ 5,370,978</b>	<b>\$ 6,631,107</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2013

	MAJOR		Other Governmental Funds	Total Governmental Funds
	General	Memorial Endowment		
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 97,959	\$ 32,714	\$ 162,449	\$ 293,122
Taxes Receivable	13,067	-	4,015	17,082
<b>Total Assets</b>	<b>\$ 111,026</b>	<b>\$ 32,714</b>	<b>\$ 166,464</b>	<b>\$ 310,204</b>
<b>LIABILITIES:</b>				
<b>Total Liabilities</b>	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Property Taxes Receivable	13,067	-	4,015	17,082
<b>Total Deferred Inflows of resources</b>	<b>13,067</b>	<b>-</b>	<b>4,015</b>	<b>17,082</b>
<b>FUND BALANCE:</b>				
<b>Fund Balances:</b>				
Restricted	-	32,714.00	162,449	195,163
Unassigned:	97,959	-	-	97,959
<b>Total Fund Balance</b>	<b>97,959</b>	<b>32,714</b>	<b>162,449</b>	<b>293,122</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 111,026</b>	<b>\$ 32,714</b>	<b>\$ 166,464</b>	<b>\$ 310,204</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 293,122
Governmental Capital Assets	989,516
Long-term Liabilities	
Long-Term Obligations	(28,828)
Compensated Absences	(8,430)
Long-Term Capital Obligations	(2,333)
Unavailable Property Taxes Receivable	17,082
<b>Net Position of Governmental Activities</b>	<b>\$ 1,260,129</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 for the year ended June 30, 2013

	MAJOR			Total Governmental Funds
	General	Memorial Endowment	Other Governmental Funds	
<b>REVENUES:</b>				
Taxes/assessments	\$ 64,014	\$ -	\$ 19,257	\$ 83,271
Licenses and permits	19,910	-	-	19,910
Intergovernmental revenues	73,878	13,000	22,790	109,668
Charges for services	53,659	7,716	1,788	63,163
Fines and forfeitures	4,259	-	-	4,259
Miscellaneous	64,126	29,959	9,666	103,751
Investment and royalty earnings	2,737	56	461	3,254
<b>Total Revenues</b>	<b>282,583</b>	<b>50,731</b>	<b>53,962</b>	<b>387,276</b>
<b>EXPENDITURES:</b>				
<b>Current</b>				
General government	43,427	46,693	1,217	91,337
Public safety	99,181	-	-	99,181
Public works	37,345	-	299	37,644
Culture and recreation	74,235	-	-	74,235
Miscellaneous	-	-	4,208	4,208
Debt Service				
Principal	12,217	-	-	12,217
Interest and other charges	283	-	-	283
Capital Outlay	28,244	-	-	28,244
<b>Total Expenditures</b>	<b>294,932</b>	<b>46,693</b>	<b>5,724</b>	<b>347,349</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(12,349)</b>	<b>4,038</b>	<b>48,238</b>	<b>39,927</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Loan Proceeds	14,550	-	-	14,550
Fund Transfers In	-	-	16,467	16,467
Fund Transfers (Out)	(16,467)	-	-	(16,467)
<b>Total Other financial Sources/Uses</b>	<b>(1,917)</b>	<b>-</b>	<b>16,467</b>	<b>14,550</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(14,266)</b>	<b>4,038</b>	<b>64,705</b>	<b>54,477</b>
<b>FUND BALANCE:</b>				
Beginning of the Year	114,978	28,676	115,080	258,734
Prior Period Adjustments	(2,753)	-	(17,336)	(20,089)
<b>End of the Year</b>	<b>\$ 97,959</b>	<b>\$ 32,714</b>	<b>\$ 162,449</b>	<b>\$ 293,122</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Town of Cascade  
 Cascade County  
 Cascade, Montana 59421

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 as of June 30, 2013**

Net Changes in Fund Balance	\$	39,927
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		5,433
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(43,371)	
(Increase) decrease in Other Post Employment Benefits	(7,207)	
(Increase) decrease in compensated absence liability	(442)	(51,020)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays	28,244	
Principal payments on bonds	12,217	40,461
Change in net position reported on the Statement of Activity	\$	34,801

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 as of June 30, 2013

	MAJOR		Total Enterprise Funds
	Water	Sewer	
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 645,544	\$ 151,338	\$ 796,882
Accounts Receivable - Net	20,673	21,239	41,912
<b>Total Current Assets</b>	<b>666,217</b>	<b>172,577</b>	<b>838,794</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Cash Equivalents	18,093	82,355	100,448
<b>Capital Assets:</b>			
Land	18,608	371,698	390,306
Net Depreciable Assets	3,094,071	1,563,620	4,657,691
<b>Total Noncurrent Assets</b>	<b>3,130,772</b>	<b>2,017,673</b>	<b>5,148,445</b>
<b>Total Assets</b>	<b>\$ 3,796,989</b>	<b>\$ 2,190,250</b>	<b>\$ 5,987,239</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Current Portions Compensated Absences	5,157	5,072	10,229
Current Portion Long-Term Capital Obligati	6,343	71,000	77,343
<b>Total Current Liabilities</b>	<b>11,500</b>	<b>76,072</b>	<b>87,572</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Obligations	33,632	33,632	67,264
Compensated Absences	6,571	6,426	12,997
Long-Term Capital Obligations	144,428	304,000	448,428
<b>Total Noncurrent Liabilities</b>	<b>184,631</b>	<b>344,058</b>	<b>528,689</b>
<b>Total Liabilities</b>	<b>196,131</b>	<b>420,130</b>	<b>616,261</b>
<b>NET POSITION:</b>			
Net investment in capital assets	2,961,908	1,560,318	4,522,226
Restricted for debt service	18,093	82,355	100,448
Unrestricted (Deficit)	620,857	127,447	748,304
<b>Total Net Position</b>	<b>3,600,858</b>	<b>1,770,120</b>	<b>5,370,978</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,796,989</b>	<b>\$ 2,190,250</b>	<b>\$ 5,987,239</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 for the year ended June 30, 2013

	MAJOR		Total Enterprise Funds
	Water	Sewer	
<b>OPERATING REVENUES:</b>			
Charges for Services	242,133	210,988	453,121
<b>Total Operating Revenues</b>	<u>242,133</u>	<u>210,988</u>	<u>453,121</u>
<b>OPERATING EXPENSES:</b>			
Personal services	60,735	59,853	120,588
Supplies	5,661	15,986	21,647
Purchased services	51,375	18,810	70,185
Fixed charges	1,969	1,643	3,612
Depreciation	82,958	46,516	129,474
<b>Total Operating Expense</b>	<u>202,698</u>	<u>142,808</u>	<u>345,506</u>
<b>OPERATING INCOME (LOSS)</b>	<u>39,435</u>	<u>68,180</u>	<u>107,615</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	1,057	469	1,526
Debt service interest expense	(6,375)	(12,810)	(19,185)
<b>Total nonoperating revenue (expenses)</b>	<u>(5,318)</u>	<u>(12,341)</u>	<u>(17,659)</u>
<b>CHANGE IN NET POSITION</b>	<u>34,117</u>	<u>55,839</u>	<u>89,956</u>
<b>NET POSITION:</b>			
Beginning of the Year	3,566,741	1,714,281	5,281,022
<b>End of the Year</b>	<u>\$ 3,600,858</u>	<u>\$ 1,770,120</u>	<u>\$ 5,370,978</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 for the year ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	MAJOR		Total
	Water Utility	Sewer Utility	Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers	\$ 245,403	\$ 210,538	\$ 455,941
Payments to Suppliers	(62,442)	(37,072)	(99,514)
Payments to Employees	(52,003)	(51,126)	(103,129)
Net Cash Provided (Used) by Operating Activities	<u>130,958</u>	<u>122,340</u>	<u>253,298</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating Subsidies and Transfers to Other Funds	<u>158,197</u>	<u>-</u>	<u>158,197</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>158,197</u>	<u>-</u>	<u>158,197</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of Capital Assets	(7,246)	(7,244)	(14,490)
Principal Paid on Capital Debt	(5,936)	(69,000)	(74,936)
Interest Paid on Capital Debt	(6,375)	(12,810)	(19,185)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,557)</u>	<u>(89,054)</u>	<u>(108,611)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends	<u>1,057</u>	<u>469</u>	<u>1,526</u>
Net Cash Provided (Used) by Investing Activities	<u>1,057</u>	<u>469</u>	<u>1,526</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>270,655</u>	<u>33,755</u>	<u>304,410</u>
<b>BALANCE:</b>			
Beginning of the Year	<u>392,982</u>	<u>199,938</u>	<u>592,920</u>
End of the Year	<u>\$ 663,637</u>	<u>\$ 233,693</u>	<u>\$ 897,330</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 39,435	\$ 68,180	\$ 107,615
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	82,958	46,516	129,474
OPEB Expense	8,408	8,408	16,816
Changes In Assets and Liabilities:			
Accounts Receivable	3,270	(450)	2,820
Customer Deposits	(3,437)	(633)	(4,070)
Compensated Absences	<u>324</u>	<u>319</u>	<u>643</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 130,958</u>	<u>\$ 122,340</u>	<u>\$ 253,298</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Town of Cascade  
Cascade County  
Cascade, Montana 59421

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
as of June 30, 2013

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 56,791
<b>Total Assets</b>	<u>56,791</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Warrants Payable	54,481
Due to Others	<u>2,310</u>
<b>Total Liabilities</b>	<u>56,791</u>
<b>NET POSITION:</b>	
<b>Total Net Position</b>	<u>-</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF NET POSITION  
 as of June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 492,329	\$ 905,448	\$ 1,397,777
Taxes Receivable	21,584	-	21,584
Accounts Receivable - Net	11,800	45,027	56,827
Due From Other Governments	-	164,863	164,863
<b>Total Current Assets</b>	<b>525,713</b>	<b>1,115,338</b>	<b>1,641,051</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Cash Equivalents	-	96,481	96,481
<b>Capital Assets:</b>			
Land	64,710	390,306	455,016
Construction in Progress	-	331,887	331,887
Net Depreciable Assets	903,681	4,597,066	5,500,747
<b>Total Noncurrent Assets</b>	<b>968,391</b>	<b>5,415,740</b>	<b>6,384,131</b>
<b>Total Assets</b>	<b>\$ 1,494,104</b>	<b>\$ 6,531,078</b>	<b>\$ 8,025,182</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 10,263	\$ 222,209	\$ 232,472
Current Portion Compensated Absences	5,326	10,229	15,555
Current Portion Long-Term Capital Obligations	607	178,810	179,417
<b>Total Current Liabilities</b>	<b>16,196</b>	<b>411,248</b>	<b>427,444</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Obligations	36,035	84,080	120,115
Compensated Absences	4,961	14,534	19,495
Long-Term Capital Obligations	-	247,000	247,000
<b>Total Noncurrent Liabilities</b>	<b>40,996</b>	<b>345,614</b>	<b>386,610</b>
<b>Total Liabilities</b>	<b>57,192</b>	<b>756,862</b>	<b>814,054</b>
<b>NET POSITION:</b>			
Not investment in capital assets	967,784	4,893,449	5,861,233
Restricted	295,443	100,448	395,891
Unrestricted (Deficit)	173,685	780,319	954,004
<b>Total Net Position</b>	<b>1,436,912</b>	<b>5,774,216</b>	<b>7,211,128</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,494,104</b>	<b>\$ 6,531,078</b>	<b>\$ 8,025,182</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF ACTIVITIES  
 for the year ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>GOVERNMENT OPERATIONS</b>							
General government	\$ 111,039	\$ 100,312	\$ 3,670	\$ -	\$ (7,057)		\$ (7,057)
Public safety	34,317	2,666	7,395	-	(24,256)		(24,256)
Public works	58,370	6,350	-	89,924	37,904		37,904
Culture and recreation	73,327	27,972	15,117	-	(30,238)		(30,238)
Miscellaneous	5,263	-	-	-	(5,263)		(5,263)
Debt Service							
Interest and other charges	102	-	-	-	(102)		(102)
<b>Total Governmental Activities</b>	<b>282,418</b>	<b>137,300</b>	<b>26,182</b>	<b>89,924</b>	<b>(29,012)</b>		<b>(29,012)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	\$ 210,602	\$ 237,016	\$ -	\$ 308,814		\$ 335,228	335,228
Sewer	148,052	214,650	-	-		66,598	66,598
<b>Total Business-type activities</b>	<b>358,654</b>	<b>451,666</b>	<b>-</b>	<b>308,814</b>		<b>401,826</b>	<b>401,826</b>
<b>Total Primary Government</b>	<b>\$ 641,072</b>	<b>\$ 588,966</b>	<b>\$ 26,182</b>	<b>\$ 398,738</b>	<b>\$ (29,012)</b>	<b>\$ 401,826</b>	<b>\$ 372,814</b>
<b>GENERAL REVENUES</b>							
Taxes/assessments					83,822	-	83,822
Local Shared Revenue					13,000	-	13,000
Intergovernmental revenues					79,797	-	79,797
Miscellaneous					10,310	-	10,310
Investment and royalty earnings					3,550	1,412	4,962
<b>Total General Revenues</b>					<b>190,479</b>	<b>1,412</b>	<b>191,891</b>
<b>Change in Net Position</b>					<b>161,467</b>	<b>403,238</b>	<b>564,705</b>
<b>Net Position</b>							
Beginning of the Year					1,260,129	5,370,978	6,631,107
Prior Period Adjustments					15,316	-	15,316
End of the Year					<b>\$ 1,436,912</b>	<b>\$ 5,774,216</b>	<b>\$ 7,211,128</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR				Total Governmental Funds
	General	Memorial Endowment	CAPITAL PROJECTS- PROCEEDS FROM GRANTS	Other Governmental Funds	
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 209,333	\$ 52,870	\$ 72,659	\$ 157,467	\$ 492,329
Taxes Receivable	19,005	-	-	2,579	21,584
Accounts Receivable - Net	-	11,800	-	-	11,800
<b>Total Assets</b>	<b>\$ 228,338</b>	<b>\$ 64,670</b>	<b>\$ 72,659</b>	<b>\$ 160,046</b>	<b>\$ 525,713</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities</b>					
Accounts Payable	8,331	735	-	1,197	10,263
<b>Total Liabilities</b>	<b>8,331</b>	<b>735</b>	<b>-</b>	<b>1,197</b>	<b>10,263</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Taxes Receivable	19,005	-	-	2,579	21,584
<b>Total Deferred Inflows of resources</b>	<b>19,005</b>	<b>-</b>	<b>-</b>	<b>2,579</b>	<b>21,584</b>
<b>FUND BALANCE:</b>					
<b>Fund Balances:</b>					
Restricted	-	63,935	72,659	156,270	292,864
Unassigned:	201,002	-	-	-	201,002
<b>Total Fund Balance</b>	<b>201,002</b>	<b>63,935</b>	<b>72,659</b>	<b>156,270</b>	<b>493,866</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 228,338</b>	<b>\$ 64,670</b>	<b>\$ 72,659</b>	<b>\$ 160,046</b>	<b>\$ 525,713</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 493,866
Governmental Capital Assets	968,391
Long-term Liabilities	
Long-Term Obligations	(36,035)
Compensated Absences	(10,287)
Long-Term Capital Obligations	(607)
Unavailable Property Taxes Receivable	21,584
Net Position of Governmental Activities	\$ 1,436,912

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 for the year ended June 30, 2014

	MAJOR				Total Governmental Funds
	General	Memorial Endowment	CAPITAL PROJECTS- PROCEEDS FROM GRANTS	Other Governmental Funds	
<b>REVENUES:</b>					
Taxes/assessments	\$ 70,565	\$ -	\$ -	\$ 8,755	\$ 79,320
Licenses and permits	25,103	-	-	-	25,103
Intergovernmental revenues	73,976	-	-	41,756	115,732
Charges for services	34,322	7,193	-	2,655	44,170
Fines and forfeitures	2,666	-	-	-	2,666
Miscellaneous	32,412	48,698	72,659	15,073	168,842
Investment and royalty earnings	2,988	104	-	458	3,550
<b>Total Revenues</b>	<b>242,032</b>	<b>55,995</b>	<b>72,659</b>	<b>68,697</b>	<b>439,383</b>
<b>EXPENDITURES:</b>					
<b>Current</b>					
General government	42,076	33,197	-	25,974	101,247
Public safety	32,298	-	-	-	32,298
Public works	33,084	-	-	304	33,388
Culture and recreation	57,231	-	-	-	57,231
Miscellaneous	-	-	-	5,263	5,263
<b>Debt Service</b>					
Principal	1,726	-	-	-	1,726
Interest and other charges	102	-	-	-	102
Capital Outlay	14,200	-	-	8,500	22,700
<b>Total Expenditures</b>	<b>180,717</b>	<b>33,197</b>	<b>-</b>	<b>40,041</b>	<b>253,955</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>61,315</b>	<b>22,798</b>	<b>72,659</b>	<b>28,656</b>	<b>185,428</b>
<b>OTHER FINANCING SOURCES/USES</b>					
Fund Transfers In	8,218	21,566	-	16,432	46,216
Fund Transfers (Out)	(24,855)	(13,143)	-	(8,218)	(46,216)
<b>Total Other financial Sources/Uses</b>	<b>(16,637)</b>	<b>8,423</b>	<b>-</b>	<b>8,214</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>44,678</b>	<b>31,221</b>	<b>72,659</b>	<b>36,870</b>	<b>185,428</b>
<b>FUND BALANCE:</b>					
Beginning of the Year	97,959	32,714	-	162,449	293,122
Prior Period Adjustments	58,365	-	-	(43,049)	15,316
<b>End of the Year</b>	<b>\$ 201,002</b>	<b>\$ 63,935</b>	<b>\$ 72,659</b>	<b>\$ 156,270</b>	<b>\$ 493,866</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Town of Cascade  
 Cascade County  
 Cascade, Montana 59421

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 as of June 30, 2014**

<b>Net Changes in Fund Balance</b>	<b>\$</b>	<b>185,428</b>
<b>Revenues on the Statement of Activity not included in governmental funds statement:</b>		
Increase (decrease) in taxes receivable		4,502
<b>Expenses on the Statement of Activity not included in the governmental funds statement:</b>		
Depreciation Expense	(43,825)	
(Increase) decrease in Other Post Employment Benefits	(7,207)	
(Increase) decrease in compensated absence liability	<u>(1,857)</u>	(52,889)
<b>Expenditures reported in the governmental funds statement not included in the Statement of Activity</b>		
Capital outlays	22,700	
Principal payments on bonds	<u>1,726</u>	<u>24,426</u>
<b>Change in net position reported on the Statement of Activity</b>	<b>\$</b>	<b><u>161,467</u></b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 as of June 30, 2014

	MAJOR		Total Enterprise Funds
	Water	Sewer	
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 729,223	\$ 176,225	\$ 905,448
Accounts Receivable - Net	22,875	22,152	45,027
Due From Other Governments	164,863	-	164,863
<b>Total Current Assets</b>	<b>916,961</b>	<b>198,377</b>	<b>1,115,338</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Cash Equivalents	44,131	52,350	96,481
<b>Capital Assets:</b>			
Land	18,608	371,698	390,306
Construction in Progress	331,887	-	331,887
Net Depreciable Assets	3,044,641	1,552,425	4,597,066
<b>Total Noncurrent Assets</b>	<b>3,439,267</b>	<b>1,976,473</b>	<b>5,415,740</b>
<b>Total Assets</b>	<b>\$ 4,356,228</b>	<b>\$ 2,174,850</b>	<b>\$ 6,531,078</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 219,805	\$ 2,404	\$ 222,209
Current Portion Compensated Absences	5,157	5,072	10,229
Current Portion Long-Term Capital Obligations	144,810	34,000	178,810
<b>Total Current Liabilities</b>	<b>369,772</b>	<b>41,476</b>	<b>411,248</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Obligations	42,040	42,040	84,080
Compensated Absences	7,348	7,186	14,534
Long-Term Capital Obligations	-	247,000	247,000
<b>Total Noncurrent Liabilities</b>	<b>49,388</b>	<b>296,226</b>	<b>345,614</b>
<b>Total Liabilities</b>	<b>419,160</b>	<b>337,702</b>	<b>756,862</b>
<b>NET POSITION:</b>			
Net investment in capital assets	3,250,326	1,643,123	4,893,449
Restricted for debt service	18,093	82,355	100,448
Unrestricted (Deficit)	668,649	111,670	780,319
<b>Total Net Position</b>	<b>3,937,068</b>	<b>1,837,148</b>	<b>5,774,216</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,356,228</b>	<b>\$ 2,174,850</b>	<b>\$ 6,531,078</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



**STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 for the year ended June 30, 2014**

	MAJOR		Total Enterprise Funds
	Water	Sewer	
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 237,016	\$ 214,650	\$ 451,666
<b>Total Operating Revenues</b>	<u>237,016</u>	<u>214,650</u>	<u>451,666</u>
<b>OPERATING EXPENSES:</b>			
Personal services	63,013	61,668	124,681
Supplies	6,500	10,956	17,456
Purchased services	39,879	21,215	61,094
Fixed charges	2,948	2,686	5,634
Loss on disposal of asset	5,751	-	5,751
Depreciation	<u>86,160</u>	<u>45,655</u>	<u>131,815</u>
<b>Total Operating Expense</b>	<u>204,251</u>	<u>142,180</u>	<u>346,431</u>
<b>OPERATING INCOME (LOSS)</b>	<u>32,765</u>	<u>72,470</u>	<u>105,235</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	982	430	1,412
Debt service interest expense	<u>(6,351)</u>	<u>(5,872)</u>	<u>(12,223)</u>
<b>Total nonoperating revenue (expenses)</b>	<u>(5,369)</u>	<u>(5,442)</u>	<u>(10,811)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	<u>308,814</u>	<u>-</u>	<u>308,814</u>
<b>CHANGE IN NET POSITION</b>	<u>336,210</u>	<u>67,028</u>	<u>403,238</u>
<b>NET POSITION:</b>			
Beginning of the Year	<u>3,600,858</u>	<u>1,770,120</u>	<u>5,370,978</u>
<b>End of the Year</b>	<u>\$ 3,937,068</u>	<u>\$ 1,837,148</u>	<u>\$ 5,774,216</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 for the year ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	MAJOR		Total
	Water Utility	Sewer Utility	Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers	\$ 234,814	\$ 213,737	\$ 448,551
Payments to Suppliers	170,478	(32,453)	138,025
Payments to Employees	(53,828)	(52,500)	(106,328)
Net Cash Provided (Used) by Operating Activities	<u>351,464</u>	<u>128,784</u>	<u>480,248</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Subsidies from Taxes and Other Governments	(164,863)	-	(164,863)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(164,863)</u>	<u>-</u>	<u>(164,863)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital Contributions	308,814	-	308,814
Purchases of Capital Assets	(374,368)	(34,460)	(408,828)
Principal Paid on Capital Debt	(5,961)	(94,000)	(99,961)
Interest Paid on Capital Debt	(6,351)	(5,872)	(12,223)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(77,866)</u>	<u>(134,332)</u>	<u>(212,198)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends	982	430	1,412
Net Cash Provided (Used) by Investing Activities	<u>982</u>	<u>430</u>	<u>1,412</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>109,717</u>	<u>(5,118)</u>	<u>104,599</u>
<b>BALANCE:</b>			
Beginning of the Year	663,637	233,693	897,330
End of the Year	<u>\$ 773,354</u>	<u>\$ 228,575</u>	<u>\$ 1,001,929</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 32,765	\$ 72,470	\$ 105,235
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	86,160	45,655	131,815
OPEB Expense	8,408	8,408	16,816
Other	5,751	-	5,751
Changes In Assets and Liabilities:			
Accounts Receivable	(2,202)	(913)	(3,115)
Special Assessments Receivable	-	-	-
Accounts Payable	219,805	2,404	222,209
Compensated Absences	777	760	1,537
Net Cash Provided (Used) by Operating Activities	<u>\$ 351,464</u>	<u>\$ 128,784</u>	<u>\$ 480,248</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Town of Cascade  
Cascade County  
Cascade, Montana 59421

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
as of June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 22,072
Total Assets	<u>22,072</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	18,497
Due to Others	<u>3,575</u>
Total Liabilities	<u>22,072</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. a. REPORTING ENTITY**

The Town is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the Town. The Mayor and Town Council are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Town provides a full range of services to its citizens including law enforcement, water and sewer services, culture and recreation, public improvements, planning and general administration.

The basic financial statements of Town of Cascade (Town) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal years 2013 and 2014 the Town adopted the following:

- GASB Statement No. 61 - The Financial Reporting Entity, which amended GASB Statement No. 14 and No. 34. The amendment amended the criteria for reporting component units. This statement did not represent a change in the Town's reporting entity.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The statement eliminated the need for state and local governments to reference the use of the Financial Accounting Standards Board (FASB) and place all sources of generally accepted accounting principles for state and local governments in a single source.
- GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which revised the terminology for financial reporting from “net positions” to “net position” and introduced “deferred outflows/deferred inflows” terminology. There is no effect on the financial statements only a terminology change.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement made changes in major fund determination and the use of the term “deferred”. For the Town deferred property taxes are reported as an element of deferred inflows of resources.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the Town.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Town has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the Town assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the Town to expand its pension foot note disclosures. The Town plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Town is not merging with another Town or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The criteria for including organizations as component units within the Town's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the Town's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the Town.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as swimming pool fees, town court fees, water utility and sewer utility fees; and
- Operating and Capital grants that are restricted to a particular functional program.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The clearing funds are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for Town operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds and proceeds from long-term debt or capital leases are reported as other financing sources.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

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 water and sewer funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Resources received for capital acquisition or construction are reported as separate items.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

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

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

- **General Fund** – The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.
- **Memorial Endowment** – This fund is used to account track the revenues and expenditures relating to the Wedsworth memorial.
- **Capital Projects Proceeds from Grant** – This fund is used to account for North Park Recreation Area Improvements funded by the PPL Montana and the River Fund. [applicable to June 30, 2014]

The Town reports the following major enterprise funds:

- **Water Fund** – This fund is used to account for financing the activities of the Town's water distribution operations and to collect and administer water impact fees.
- **Sewer Fund** – This fund is used to account for financing the activities of the Town's sewer collection and treatment operations and includes the storm sewer system.

1. b. 3 OTHER FUND TYPES

**Agency Funds** – Account for assets that the Town holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for checks which were written but have not been clear by the bank. A check is an order by which the drawer (the person with authority to make the order) commands the town trustee to pay a particular sum of money to a payee (person or entity) from funds in the town treasury which are or may become available.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the Town funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The Town receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials and supplies inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

The Town's property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, lighting, and similar items) with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The Town considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Improvements other than buildings	20 – 50 years
Machinery and Equipment	5 – 25 years
Infrastructure	20 – 50 years

1. c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1. c. 6 VACATION AND SICK LEAVE

Town employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Town employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Town employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$ 14,361 and \$15,555 and in governmental funds is generally paid out of the general fund. In enterprise funds paid out of the applicable fund wages are paid from.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

As of June 30, 2013 and June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

Purpose	June 30, 2013	June 30, 2014
	<u>Restricted</u>	<u>Restricted</u>
General Government	\$ 61,171	\$ 19,380
Culture and Recreation	69,245	127,397
Public Works	52,708	61,534
Perpetual Care	12,039	11,894
Future Capital Costs	0	72,659
Total	<u>\$ 195,163</u>	<u>\$ 292,864</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.d. 2 COUNTY PROVIDED SERVICES

The Town is provided various financial services by Cascade County. The Cascade County also serves as cashier and treasurer for the Town for tax and assessment collections and other revenues received by the Cascade County which are subject to distribution to the various taxing jurisdictions located in the Cascade County. The collections made by the Cascade County on behalf of the Town are accounted for in an agency fund in the Town's name and are periodically remitted to the Town by the Cascade County Treasurer. No service charges have been recorded by the Town or the Cascade County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2013, the summary of cash, cash equivalents for governmental and business-type activities, and fiduciary funds is as follows:

Account Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 293,122	\$ 796,882	\$ 56,791	\$ 1,146,795
Restricted Assets	0	100,448	0	100,448
Total	<u>\$ 293,122</u>	<u>\$ 897,330</u>	<u>\$ 56,791</u>	<u>\$ 1,247,243</u>



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

At June 30, 2014, the summary of cash, cash equivalents for governmental and business-type activities, and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 492,329	\$ 905,448	\$ 22,072	\$ 1,419,849
Restricted Assets	0	96,481	0	96,481
Total	<u>\$ 492,329</u>	<u>\$ 1,001,929</u>	<u>\$ 22,072</u>	<u>\$ 1,516,330</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2013 and June 30, 2014, is as follows:

	<u>June 30, 2013 Amount</u>	<u>June 30, 2014 Amount</u>
Cash on Hand	\$ 232	\$ 232
Demand Accounts	38,793	52,115
Saving and Time Deposits	1,208,218	1,463,983
Total	<u>\$ 1,247,243</u>	<u>\$ 1,516,330</u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013 and June 30, 2014, the Town's bank balance was exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>June 30, 2013 Fair Value</u>	<u>June 30, 2014 Fair Value</u>
Insured	\$ 290,839	\$ 305,131
Collateral held by the pledging bank's trust department but not in the Entity's name.	287,067	290,402
Uninsured and uncollateralized	670,919	910,477
Total	<u>\$ 1,248,825</u>	<u>\$ 1,506,010</u>

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2012, upon which the levy for the 2013 fiscal year was based, was \$675,081. The tax rates assessed for the year ended June 30, 2013 to finance Town operations and applicable taxes receivable for the Town follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	86.99	\$ 13,067
Comprehensive Liability	7.41	931
Health Insurance – Permissive Medical	23.42	3,084
Total	<u>117.82</u>	<u>\$ 17,082</u>

\* Denotes Major Funds

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$678,000 for the Town. The tax rates assessed for the year ended June 30, 2014 to finance Town operations and applicable taxes receivable for the Town follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	109.73	\$ 19,005
Comprehensive Liability	5.78	1,093
Health Insurance – Permissive Medical	5.13	1,486
Total	<u>120.64</u>	<u>\$ 21,584</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS (June 30, 2014)

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Water*	\$ 164,863	State of Montana - TSEP	Grant fund reimbursement for water project

\* Denotes Major Funds



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 64,710	\$ -	\$ -	\$ -	\$ 64,710
Construction in Progress	23,697	-	-	(23,697)	-
Total capital assets not being depreciated	<u>88,407</u>	<u>-</u>	<u>-</u>	<u>(23,697)</u>	<u>64,710</u>
Capital assets being depreciated:					
Improvements other than buildings	66,301	-	-	-	66,301
Buildings	205,248	4,744	-	23,697	233,689
Machinery and equipment	45,594	23,500	-	-	69,094
Infrastructure	1,560,151	-	-	-	1,560,151
Total capital assets being depreciated	<u>1,877,294</u>	<u>28,244</u>	<u>-</u>	<u>23,697</u>	<u>1,929,235</u>
Less accumulated depreciation for:					
Improvements other than buildings	(21,414)	(2,255)	-	-	(23,669)
Buildings	(55,673)	(4,469)	-	-	(60,142)
Machinery and equipment	(41,924)	(2,770)	-	-	(44,694)
Infrastructure	(842,047)	(33,877)	-	-	(875,924)
Total accumulated depreciation	<u>(961,058)</u>	<u>(43,371)</u>	<u>-</u>	<u>-</u>	<u>(1,004,429)</u>
Net Depreciable Capital Assets	<u>916,236</u>	<u>(15,127)</u>	<u>-</u>	<u>23,697</u>	<u>924,806</u>
Net Governmental Assets	<u>\$ 1,004,643</u>	<u>\$ (15,127)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,516</u>

<u>Business Type Activities:</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 390,305	\$ -	\$ -	\$ -	\$ 390,305
Total capital assets not being depreciated	<u>390,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,305</u>
Capital assets being depreciated:					
Buildings	713,352	9,489	-	-	722,841
Machinery and equipment	135,692	5,000	-	-	140,692
Source of supply	632,439	-	-	-	632,439
Treatment plant	1,690,090	-	-	-	1,690,090
Transmission and distribution	3,052,718	-	-	-	3,052,718
Total capital assets being depreciated	<u>6,224,291</u>	<u>14,489</u>	<u>-</u>	<u>-</u>	<u>6,238,780</u>
Less accumulated depreciation for:					
Buildings	(109,695)	(14,231)	-	-	(123,926)
Machinery and equipment	(94,353)	(7,359)	-	-	(101,712)
Source of supply	(243,961)	(13,527)	-	-	(257,488)
Treatment plant	(438,971)	(34,164)	-	-	(473,135)
Transmission and distribution	(564,635)	(60,193)	-	-	(624,828)
Total accumulated depreciation	<u>(1,451,615)</u>	<u>(129,474)</u>	<u>-</u>	<u>-</u>	<u>(1,581,089)</u>
Net Depreciable Capital Assets	<u>4,772,676</u>	<u>(114,985)</u>	<u>-</u>	<u>-</u>	<u>4,657,691</u>
Net Business Type Activity Assets	<u>\$ 5,162,981</u>	<u>\$ (114,985)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,047,996</u>

5. b. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 64,710	\$ -	\$ -	\$ -	\$ 64,710
Total capital assets not being depreciated	<u>64,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,710</u>
Capital assets being depreciated:					
Improvements other than buildings	66,301	14,200	-	-	80,501
Buildings	233,689	-	-	-	233,689
Machinery and equipment	69,094	-	-	-	\$69,094
Infrastructure	1,560,151	8,500	-	-	1,568,651
Total capital assets being depreciated	<u>1,929,235</u>	<u>22,700</u>	<u>-</u>	<u>-</u>	<u>1,951,935</u>



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

Less accumulated depreciation for:					
Improvements other than buildings	(23,669)	(2,539)	-	-	(26,208)
Buildings	(60,142)	\$ (4,469)	-	-	(64,611)
Machinery and equipment	(44,694)	\$ (2,770)	-	-	(47,464)
Infrastructure	(875,924)	\$ (34,047)	-	-	(909,971)
Total accumulated depreciation	<u>(1,004,429)</u>	<u>\$ (43,825)</u>	-	-	<u>(1,048,254)</u>
Total Depreciable Capital Assets	<u>924,806</u>	<u>\$ (21,125)</u>	-	-	<u>903,681</u>
<b>Total Governmental Assets</b>	<b>\$ 989,516</b>	<b>\$ (21,125)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 968,391</b>

<u>Business Type Activities:</u>	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 390,305	\$ -	\$ -	\$ -	\$ 390,305
Construction in Progress	-	<u>331,887</u>	-	-	<u>331,887</u>
Total capital assets not being depreciated	<u>390,305</u>	<u>331,887</u>	-	-	<u>722,192</u>
Capital assets being depreciated:					
Buildings	722,841	-	-	-	722,841
Machinery and equipment	140,692	42,481	(28,468)	-	154,705
Source of supply	632,439	-	(30,000)	-	602,439
Treatment plant	1,690,090	-	-	-	1,690,090
Transmission and distribution	<u>3,052,718</u>	<u>34,460</u>	-	-	<u>3,087,178</u>
Total capital assets being depreciated	<u>6,238,780</u>	<u>76,941</u>	<u>(58,468)</u>	-	<u>6,257,253</u>
Less accumulated depreciation for:					
Buildings	(123,926)	(14,130)	22,717	-	(115,339)
Machinery and equipment	(101,712)	(9,711)	-	-	(111,423)
Source of supply	(257,488)	(12,927)	30,000	-	(240,415)
Treatment plant	(473,135)	(34,164)	-	-	(507,299)
Transmission and distribution	<u>(624,828)</u>	<u>(60,883)</u>	-	-	<u>(685,711)</u>
Total accumulated depreciation	<u>(1,581,089)</u>	<u>(131,815)</u>	<u>52,717</u>	-	<u>(1,660,187)</u>
Total Depreciable Capital Assets	<u>4,657,691</u>	<u>(54,874)</u>	<u>5,751</u>	-	<u>4,597,066</u>
Total Business Type Activity Assets	<b>\$ 5,047,996</b>	<b>\$ 277,013</b>	<b>\$ 5,751</b>	<b>\$ -</b>	<b>\$ 5,319,258</b>

5. c. General capital asset depreciation expense was charged to governmental functions as follows:

	<u>June 30, 2013</u>	<u>June 30, 2014</u>
General government	\$ 728	\$ 728
Public safety	2,019	2,019
Public works	24,812	24,982
Culture and recreation	<u>15,812</u>	<u>16,096</u>
Total Depreciation Expense	<u>\$ 43,371</u>	<u>\$ 43,825</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a At June 30, 2013, the schedule of changes in long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2012</u>	<u>and Other</u>	<u>and Other</u>	<u>June 30, 2013</u>	<u>One Year</u>
		<u>Additions</u>	<u>Reductions</u>		
<u>Bonds and Notes Payable:</u>					
Equipment Note	\$ -	\$ 14,550	\$ 12,217	\$ 2,333	\$ 485
<u>Other Liabilities:</u>					
Compensated Absences	\$ 7,988	\$ 442	\$ -	\$ 8,430	\$ 4,132
Other Post-Employment Benefits (OPEB)	<u>21,621</u>	<u>7,207</u>	-	<u>28,828</u>	-
Total Other Liabilities	<u>\$ 29,609</u>	<u>\$ 7,649</u>	<u>\$ -</u>	<u>\$ 37,258</u>	<u>\$ 4,132</u>
Total Governmental Activities					
- Long-Term Debt	<u>\$ 29,609</u>	<u>\$ 22,199</u>	<u>\$ 12,217</u>	<u>\$ 39,591</u>	<u>\$ 4,617</u>



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

Business Type Activity	Balance July 1, 2012	New Debt and Other Additions	Payments and Other Reductions	Balance June 30, 2013	Due within One Year
<b>Bonds and Notes Payable:</b>					
Bonds Payable	\$ 444,000	\$ -	\$ 69,000	\$ 375,000	\$ 71,000
Contracted Debt	156,707	-	5,936	150,771	6,343
Total Bonds and Notes Payable	<u>\$ 600,707</u>	<u>\$ -</u>	<u>\$ 74,936</u>	<u>\$ 525,771</u>	<u>\$ 77,343</u>
<b>Other Liabilities:</b>					
Compensated Absences	\$ 22,583	\$ 643	\$ -	\$ 23,226	\$ 10,229
Other Post-Employment Benefits (OPEB)	50,448	16,816	-	67,264	-
Total Other Liabilities	<u>\$ 73,031</u>	<u>\$ 17,459</u>	<u>\$ -</u>	<u>\$ 90,490</u>	<u>\$ 10,229</u>
Total Business Type Activity - Long-Term Debt	<u>\$ 673,738</u>	<u>\$ 17,459</u>	<u>\$ 74,936</u>	<u>\$ 616,261</u>	<u>\$ 87,572</u>

6. b At June 30, 2014, the schedule of changes in long-term debt follows:

Governmental Activities	Balance July 1, 2013	New Debt and Other Additions	Payments and Other Reductions	Balance June 30, 2014	Due within One Year
<b>Bonds and Notes Payable:</b>					
Contracted Debt	\$ 2,333	\$ -	\$ 1,726	\$ 607	\$ 607
<b>Other Liabilities:</b>					
Compensated Absences	\$ 8,430	\$ 1,857	\$ -	\$ 10,287	\$ 5,326
Other Post-Employment Benefits (OPEB)	28,828	7,207	-	36,035	-
Total Other Liabilities	<u>\$ 37,258</u>	<u>\$ 9,064</u>	<u>\$ -</u>	<u>\$ 46,322</u>	<u>\$ 5,326</u>
Total Governmental Activities - Long-Term Debt	<u>\$ 39,591</u>	<u>\$ 9,064</u>	<u>\$ 1,726</u>	<u>\$ 46,929</u>	<u>\$ 5,933</u>

Business Type Activity	Balance July 1, 2013	New Debt and Other Additions	Payments and Other Reductions	Balance June 30, 2014	Due within One Year
<b>Bonds and Notes Payable:</b>					
Bonds Payable	\$ 375,000	\$ -	\$ 94,000	\$ 281,000	\$ 34,000
Contracted Debt	150,771	-	5,961	144,810	144,810
Total Bonds and Notes Payable	<u>\$ 525,771</u>	<u>\$ -</u>	<u>\$ 99,961</u>	<u>\$ 425,810</u>	<u>\$ 178,810</u>
<b>Other Liabilities:</b>					
Compensated Absences	\$ 23,226	\$ 1,537	\$ -	\$ 24,763	\$ 10,229
Other Post-Employment Benefits (OPEB)	67,264	16,816	-	84,080	-
Total Other Liabilities	<u>\$ 90,490</u>	<u>\$ 18,353</u>	<u>\$ -</u>	<u>\$ 108,843</u>	<u>\$ -</u>
Total Business Type Activity - Long-Term Debt	<u>\$ 616,261</u>	<u>\$ 18,353</u>	<u>\$ 99,961</u>	<u>\$ 534,653</u>	<u>\$ 189,039</u>

6. c. REVENUE BONDS

The Town issued revenue bonds in prior years for the acquisition and construction of capital facilities in the sewer fund. The Town pledges income derived from the acquired or constructed assets to pay debt services. In fiscal year ended June 30, 2014, the bonding agency reduced the interest payments on the loan. These bonds were issued for the terms and payment schedules indicated in the following schedule:

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2014
1998 Sewer Bond	6/1/1998	3.00% - 1.25%	20 Years	7/1/2018	\$ 1,217,987	\$ 281,000

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

For the year ended 6/30:

	Principal	Interest
2015	\$ 34,000	\$ 1,056
2016	70,000	1,721
2017	70,000	1,197
2018	71,000	672
2019	36,000	135
Totals	<u>\$ 281,000</u>	<u>\$ 4,781</u>

6. d. CONTRACTED DEBT  
Contract debt outstanding

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2014
Fire Truck	7/20/12	4.00%	7 Years	7/20/19	\$ 14,550	\$ 607
2010 Water Bank Note	5/27/10	4.00%	20 Years	6/15/2030	168,000	144,810
					<u>\$ 182,550</u>	<u>\$ 145,417</u>

Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

For the year ended 6/30:

	Fire Truck		Water Bank Note	
	Principal	Interest	Principal	Interest
2015	<u>\$ 607</u>	<u>\$ 5</u>	<u>\$ 144,810</u>	<u>\$ 683</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

Fund	June 30, 2013	June 30, 2014	Reason
	Taxes Receivable	Taxes Receivable	Reason
General*	\$ 13,067	\$ 19,005	Taxes Receivable
Comprehensive Liability	931	1,093	Taxes Receivable
Health Insurance – Permissive Medical	3,084	1,486	Taxes Receivable
Total	<u>\$ 17,082</u>	<u>\$ 21,584</u>	

\* Denotes Major Funds

NOTE 8. LEASES

The memorial endowment fund leases it pasture land for \$29,750 per year. The current lease holder term runs from April 1, 2012 through March 31, 2015. Upon the completion of the lease the Town will solicit interested parties in leasing the pasture for three year terms.

NOTE 9. PRIOR PERIOD ADJUSTMENTS

June 30, 2013	Amount	REASON
General*	\$ (2,753)	Prior year grant funds not received, which also affected the interfund borrowing
Police Reserve Training	(941)	Prior year grant funds not received, which also affected the interfund borrowing
CDBG/Home Grant	(15,110)	Closing our prior year grant funds
Safe Routes to Schools Grant	(1,285)	Closing our prior year grant funds
Total	<u>\$ (20,089)</u>	

\* Denotes Major Funds

Governmental Type Activities	0
Total	<u>\$ (20,089)</u>



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

<u>June 30, 2014</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 1,968	Prior year operating correction
General*	13,348	Unanticipated prior year TESP revenue received. Grant fund closed in prior years.
General*	43,049	Prior year permissive dollars were not used to cover costs paid out of the general fund.
Health Insurance Permissive	<u>(43,049)</u>	Prior year permissive dollars were not used to cover costs paid out of the general fund.
Total	<u>\$ 15,316</u>	
* Denotes Major Funds		
Governmental Type Activities	<u>0</u>	
Total	<u>\$ 15,316</u>	

NOTE 10. TRANSFERS

<u>June 30, 2013 – From Fund</u>	<u>Amount</u>	<u>June 30, 2013 – To Fund</u>	<u>REASON</u>
General*	\$ 15,110	CDBG Home	Close out Grant Fund
General*	1,285	Safe Routes To Schools	Close out Grant Fund
General*	<u>72</u>	Capital Projects - Parks	Close out Grant Fund
Total	<u>\$ 16,467</u>		
* Denotes Major Funds			

<u>June 30, 2014 – From Fund</u>	<u>Amount</u>	<u>June 30, 2014 – To Fund</u>	<u>REASON</u>
Health Insurance Permissive*	\$ 8,218	General*	Move health insurance money to general fund
Wedsworth Memorial Endowment*	13,143	Wedsworth Memorial Library	Create separate fund for accounting of the Library function
General*	3,289	Capital Projects - Library	Future capital projects
General*	<u>21,566</u>	Wedsworth Memorial Endowment*	Cover operating costs
Total	<u>\$ 46,216</u>		
* Denotes Major Funds			

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides the same health care plan to all of its members. The Town had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 31.5% of plan participants would elect to continue coverage after retirement. The Town has not performed a new evaluation since the ignition one performed on July 1, 2009. Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of July 1, 2009 was as follows:

Actuarial Accrued Liability (AAL)	\$ 188,920
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>188,920</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 188,920
UAAL as a percentage of covered payroll	143%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2014.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

Annual Required Contribution (ARC)	\$ 24,023
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost (expense)	24,023
Contribution made	0
Increase in net OPEB obligation	24,023
Net OPEB obligation – June 30, 2012	72,069
Net OPEB obligation – June 30, 2013	\$ 96,092
Net OPEB obligation – June 30, 2014	\$ 120,115

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	1.0%
Average Salary Increase	2.0%
Health care cost rate trend	
Year	% Increase
2015	4.70%
2016	4.90%
2017 and after	5.70%

NOTE 12. CONSTRUCTION OR SIMILAR COMMITMENTS

The Town is in the process of upgrading its water system and funding for the project is as follows: - DNRC (Department of Natural Resources and Conservation) has awarded the Town \$100,000, TSEP (Treasure State Endowment Program) has awarded the Town \$750,000 and the SRF (State Revolving Fund) has loan fund available up to \$770,000. The project is expected to be completed during fiscal year June 30, 2015 and is more than fifty percent complete.

NOTE 13. RISK MANAGEMENT

The Town faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability, (i.e. errors and omission), environmental damage, workers' compensation, and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Given the lack of coverage available, the Town has no coverage for potential losses from environmental damages. The Town participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability and property coverage.

Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the Town's general fund and other funds based upon the insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the past three years.

In 1986, the Town joined other Montana cities in the Montana Municipal Interlocal Authority which established a workers' compensation plan and a tort liability plan. In 1996, the Montana Municipal Interlocal Authority created a property insurance plan. The public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$750 deductible per government. State tort law limits the Town's liability to \$1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Insurance Authority.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

The Town participates in a cost-sharing multiple employer defined benefit retirement plans which cover all Town employees. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

The plan issue publicly available annual reports that include financial statements and required supplemental in-formation for the plans. Those reports may be obtained from the following:

Public Employees Retirement System  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, MT 59620-0131  
Phone: 406-444-3154  
[www.state.mt.us/doa/perb/prb.htm](http://www.state.mt.us/doa/perb/prb.htm)

During fiscal year ended June 30, 2013, the PERS rates for employees was 6.9% and for new hires after July 1, 2011, 7.9%. The PERS rate for the State was set at 0.10%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.07%.

During fiscal year ended June 30, 2013, the PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at 0.10%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 8.07%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the Town's financial statements.

Contribution rates are required and determined by State law. The amounts contributed to the plan during the years ended June 30, 2011, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, Town and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 15,511	\$ 12,144	\$ 12,868	\$ 15,221

NOTE 15 LOCAL RETIREMENT PLAN

Town volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State Law. The Association is managed by a Board of Trustees made up of members of the fire department. A member of a volunteer fire department who has served 20 years or more is entitled to benefits after attaining age 50. Volunteers serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the pension benefits are set by the Association's Mayor and Town Council.

Montana law requires that the disability and pension fund contain at least .21 % of the total assessed value of taxable property within the Town limits but not more than .52% of the assessed taxable value. Once the fund contains less than .21 % of the assessed value the Town council shall levy a tax to be deposited in the fund.

No actuarial valuation or report of unfunded past service costs had been prepared for the Fire Department Relief Association Disability and Pension Fund.

NOTE 16. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.



TOWN OF CASCADE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Years-Ended June 30, 2013 and June 30, 2014

16 a. SOLID WASTE DISPOSAL

On June 5, 1992, the Town entered into an interlocal agreement with the Cascade County Rural Solid Waste District. The agreement provides for the Town to assess all occupied households and businesses within the boundaries of the District. In return, the Solid Waste District provides maintenance of the site and containers, removal of containers, and disposal of wastes within the containers each week.

16 b. LAW ENFORCEMENT SERVICES

The Town participated in a law enforcement service agreement with Cascade County. During fiscal year ended June 30, 2013 and June 30, 2014 the Town paid \$47,090 and \$47,142, respectively.

16.c. PUBLIC LIBRARY

Cascade County provides funding of \$13,000 per year to the Town for operating cost and maintaining the library collection. The County also, the Chief Librarian's salaries and benefits are paid by the county and it a county employee.



TOWN OF CASCADE

SCHEDULE OF FUNDING PROGRESS  
 Other Post-Employment Benefits Other Than Pensions (OPEB)  
 Fiscal Years-Ended June 30, 2013 and June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2009</u>	<u>\$ 0</u>	<u>\$ 188,920</u>	<u>\$ 188,920</u>	<u>0%</u>	<u>131,690</u>	<u>143%</u>



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2013

	General			Memorial Endowment		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
Taxes/assessments	\$ 64,817	\$ 64,817	\$ 64,014	\$ -	\$ -	\$ -
Licenses and permits	22,991	-	19,910	-	-	-
Intergovernmental revenues	74,046	-	73,878	-	-	13,000
Charges for services	39,032	-	53,659	2,900	-	7,716
Fines and forfeitures	6,900	-	4,259	-	-	-
Miscellaneous	11,150	-	64,126	29,950	-	29,959
Investment and royalty earnings	3,700	-	2,737	-	-	56
<b>Total Revenues</b>	<b>222,636</b>	<b>64,817</b>	<b>282,583</b>	<b>32,850</b>	<b>-</b>	<b>50,731</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
General government	72,400	72,400	43,427	19,221	19,221	46,693
Public safety	56,794	56,794	99,181	-	-	-
Public works	25,838	25,838	37,345	-	-	-
Culture and recreation	59,600	59,600	74,235	-	-	-
<b>Debt Service</b>						
Principal	-	-	12,217	-	-	-
Interest and other charges	-	-	283	-	-	-
Capital Outlay	4,925	4,925	28,244	-	-	-
<b>Total Expenditures</b>	<b>219,557</b>	<b>219,557</b>	<b>294,932</b>	<b>19,221</b>	<b>19,221</b>	<b>46,693</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,079</b>	<b>(154,740)</b>	<b>(12,349)</b>	<b>13,629</b>	<b>(19,221)</b>	<b>4,038</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Loan Proceeds	-	-	14,550	-	-	-
Fund Transfers In	14,500	-	-	-	-	-
Fund Transfers (Out)	-	-	(16,467)	-	-	-
<b>Total Other financial Sources/Uses</b>	<b>14,500</b>	<b>-</b>	<b>(1,917)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>17,579</b>	<b>(154,740)</b>	<b>(14,266)</b>	<b>13,629</b>	<b>(19,221)</b>	<b>4,038</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			114,978			28,676
Prior Period Adjustments			(2,753)			-
End of the Year			<u>\$ 97,959</u>			<u>\$ 32,714</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2014

	General			Memorial Endowment		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
Taxes/assessments	\$ 65,402	\$ 65,402	\$ 70,565	\$ -	\$ -	\$ -
Licenses and permits	26,486	26,486	25,103	-	-	-
Intergovernmental revenues	79,712	79,712	73,976	17,596	17,596	-
Charges for services	39,040	39,040	34,322	1,700	1,700	7,193
Fines and forfeitures	5,580	5,580	2,666	-	-	-
Miscellaneous	24,300	24,300	32,412	30,250	30,250	48,698
Investment and royalty earnings	2,800	2,800	2,988	30	30	104
<b>Total Revenues</b>	<b>243,320</b>	<b>243,320</b>	<b>242,032</b>	<b>49,576</b>	<b>49,576</b>	<b>55,995</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
General government	65,250	65,250	42,076	33,155	33,155	33,197
Public safety	57,193	57,193	32,298	-	-	-
Public works	37,130	37,130	33,084	-	-	-
Culture and recreation	73,585	73,585	57,231	17,555	17,555	-
<b>Debt Service</b>						
Principal	-	-	1,726	-	-	-
Interest and other charges	612	612	102	-	-	-
Capital Outlay	-	-	14,200	7,189	7,189	-
<b>Total Expenditures</b>	<b>233,770</b>	<b>233,770</b>	<b>180,717</b>	<b>57,899</b>	<b>57,899</b>	<b>33,197</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>9,550</b>	<b>9,550</b>	<b>61,315</b>	<b>(8,323)</b>	<b>(8,323)</b>	<b>22,798</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In	-	-	8,218	-	-	21,566
Fund Transfers (Out)	-	-	(24,855)	-	-	(13,143)
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>(16,637)</b>	<b>-</b>	<b>-</b>	<b>8,423</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>9,550</b>	<b>9,550</b>	<b>44,678</b>	<b>(8,323)</b>	<b>(8,323)</b>	<b>31,221</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			97,959			32,714
Prior Period Adjustments			58,365			-
End of the Year			<u>\$ 201,002</u>			<u>\$ 63,935</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



TOWN OF CASCADE

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds of the Town. All annual appropriations lapse at fiscal year-end, unless the Town elects to encumber supplies and personal property ordered but not received at year end. The Town does not use a formal encumbrance system.

1. a. 1 GENERAL BUDGET POLICIES:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue funds. The major funds water and sewer are not included in the schedule because they are enterprise funds. The major fund capital projects - proceeds from grants is not included in the schedule because it is not a special revenue fund.

1. a. 2 BUDGET OPERATION:

The Town operates within the budget requirements for incorporated city or town's as specified by State law. The financial report reflects the following budgetary standards:

- (1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.
- (2) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.
- (3) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- (4) The governing body and each municipal official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
  - a. debt service funds for obligations related to debt approved by the governing body;
  - b. trust funds for obligations authorized by trust covenants;
  - c. any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
  - d. any fund for special assessments approved by the governing body;
  - e. the proceeds from the sale of land;
  - f. any fund for gifts or donations; and
  - g. money borrowed during the fiscal year.
- (5) If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the Town.

NOTE 3. BUDGET AMENDMENT

For fiscal year ended June 30, 2013, the original budget was not amended so the original budget and the final budget are the same.

For fiscal year ended June 30, 2014, the original budget was not amended so the original budget and the final budget are the same, except in the capital projects – proceeds from grant fund. The budget in this fund was increased by \$72,659 to allow for expenditures to be incurred for an unanticipated grant.



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

Mayor and Town Council  
Town of Cascade  
Cascade County  
Cascade, Montana 59421

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cascade as of and for the years ended June 30, 2013 and June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Cascade's basic financial statements and have issued our report thereon dated December 29, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Cascade'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2013 & 2014-001, 2013 & 2014-002 and 2013 & 2014-003.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013 & 2014-004, 2013 & 2014-005 and 2013 & 2014-006.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Strom & Associates, P.C." The signature is written in a cursive, flowing style.

STROM & ASSOCIATES, PC  
Billings, Montana  
December 29, 2014



SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

2012 – 001 – Unsupported Journal Vouchers and Cash Reconciliation (Not repeated)

2012 – 002 – Internal Control Risk Assessment (Partially Implemented)

2012 – 003 – Utility Billing Reconciliation (Implemented)

2013 & 2014 – 001 – Auditor's Assistance

Criteria: Auditing standards require the auditor to evaluate the accounting assistance provided to the client and report the evaluation to those charged with governance. Condition: The Clerk/Treasurer requires the auditor's assistance for the accounting and reporting requirements related to governmental accounting and the year-end closing of the Town's books. Effect: The Town has relied on the financial auditor to assist with the year-end closing procedures and the preparation of the financial statements in accordance with GAAP. Context: The Clerk/Treasurer has acquired knowledge of governmental accounting and can take responsibility for work of the auditor. Cause: The Clerk/Treasurer has attend training classes and is in contact with other clerks and is demonstrating an understanding of accounting, however, due to time constraints and size of the office, assistance is needed to close the accounting books and completion of the annual financial report. Recommendation: Management and the Council should continue to have the Clerk/Treasurer attend training classes and provide whatever assistance is needed to complete the business processes of the Town.

2013 & 2014 – 002 – Cash Reconciliation

Criteria: Internal control indicate a reconciliation of bank accounts, investments and cash on hand to the general ledger should be performed monthly. Any differences noted should be identified. Condition: The Clerk/Treasurer reconciles cash to the general ledger monthly, however, each month there is an unidentified difference. Effect: Cash does not reconcile to zero when comparing the accounting records and the bank statements. Context: Cash is reconciled monthly however, the cash reconciliation does not net to zero and the difference changes each month. Cause: Town continues to look for the cause of cash differences since the amounts appear to change on a monthly basis. Recommendation: We recommend the Town reconcile cash to the accounting records and any differences be identified in a timely manner.

2013 & 2014 – 003 – Internal Control Risk Assessment – Library

Criteria: Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes.

Condition: During our review of claims processed by the library board we noted the following:

1. The check book contains blank checks that have been pre-signed by the chair of the library.
2. Invoices reviewed to support costs did not contain any documentation to indicate they were approved for payment by the library board
3. Claims paid were not in all cases supported by appropriate invoices.
4. Travel costs to attend a conference did not include the invoice for the cost of the conference, miles to conference and amount of per-diem paid.

Effect: Lack of internal controls increases the risk of misappropriation of funds.



## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

### Context:

1. The check register contains several pre-signed checks
2. Claims are being paid without the approval of the city council or library board.
3. In the claims sample of 30 checks written three instances were noted where payments were made, but no supporting documentation was provided to support costs incurred.
4. Library staff attended a training conference and the invoice paid was drafted by the employee and did not contain documentation to support the dollar amount paid (i.e., mileage, per-diem, attendance fee, etc.)

Cause: Library board meetings do not occur on a monthly basis. Recommendation: We recommend all costs be approved by the city council and/or library board prior to payment and that no checks be pre-signed. We also, recommend that all costs be properly supported by invoice.

### 2013 & 2014 – 004 – Budget Preparation – Cash Reserve Limits (Repeat from 2011-009 and 2012-004)

Criteria: Montana Code Annotated (MCA) 7-6-4034(2) states “After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provide in subsection (1)(b) to: . . . b) a city’s or town’s fund may not exceed on-half of the total amount appropriated and authorized to be spent form the fund during the current fiscal year. Condition: The budget document did not include the required tax levy requirement schedule and as such the budgeted cash reserves could not be verified. Effect: The Town is not in compliance with Section 7-6-4034(2), MCA.

Context: The Montana Budget Document contains the required tax levy requirement schedule on pages 53, however, this form has not been prepared or used by the Town. Cause: The Town did not include a tax levy requirements schedule with the final approved budget document submitted to the State and as a result did not present information to verify the above compliances. Recommendation: The Town should ensure the cash reserved for levied funds does not exceed ½ of the appropriations for the fund for the fiscal year by completing the tax levy requirement schedule.

### 2013 & 2014 – 005 – Exceeding Budgetary Authority (Repeat from 2012-005)

Criteria: Montana Code Annotated (MCA) 7-6-4005(1) and (2) state “(1) Local government officials may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund. (2) A local government official who violates subsection (1) is liable for the amount of the excess disbursement, expenditure, or obligation personally.” Condition: The Town has funds which have incurred expenditures in excess of appropriations Effect: The Town has exceeded budgetary authority as required by Section 7-6-4005, MCA.

Context: In fiscal year ended June 30, 2013 the following fund had budget overdrafts,

- the general fund – \$91,222,
- the memorial endowment – \$27,472,
- the capital projects library – \$1,218 and
- the water fund – \$18,957

In fiscal year ended June 30, 2014, the following funds had budget overdrafts

- the capital projects library – \$9,213 and
- the water fund – \$28,532

Cause: No reviewing the monthly budget to actual report from the accounting system. Recommendation: We recommend the Town review the budget to actual reports monthly and not incur costs in excess of the appropriations without a budget amendment.

### 2013 & 2014 – 006 – Pledged Securities

Criteria: 7-6-207(1) MCA states in part “the local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of: (a) 50% of such deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more; or (b) 100% if the institution in which the deposit is made has a net worth to total assets ratio of less than 6%.” Condition: The Town’s cash balances were not adequately covered by pledged securities. Effect: The Town of not in compliance with MCA 7-6-207. Context: In fiscal year ended June 30, 2013 the Town had \$957,986 of deposits not covered by FDIC and needed to at least cover \$478,992 with pledged securities. The Town’s pledged securities were only \$287,067. In fiscal year ended June 30, 2013 the Town had \$1,200,879 of deposits not covered by FDIC and needed to at least cover \$600,440 with pledged securities. The Town’s pledged securities were only \$290,402. Cause: No reviewing the adequacy of pledges securities quarterly. Recommendation: We recommend the Town review its cash balances on a regular basis and ensure the Town’s bank balances are properly covered by pledged securities as required by Montana Law.

