

**TOWN OF COLUMBUS  
STILLWATER COUNTY  
COLUMBUS, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

**OLNESS & ASSOCIATES, P. C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

2810 CENTRAL AVENUE, SUITE B  
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TOWN OF COLUMBUS

ORGANIZATION

June 30, 2014

MAYOR

Gary Woltermann

TOWN COUNCIL

Paul Edwards	Councilperson
Patty Sundberg	Councilperson
Harold Houghton	Councilperson
Gary Anderson	Councilperson
Jon Brown	Councilperson
Terry Nystul	Councilperson

TOWN STAFF

Ronald Barndt	Clerk/Treasurer
William Pronovost	Police Chief
Marilyn Kober	Town Judge
Douglas Howard	Town Attorney

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council  
Town of Columbus  
Columbus, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Columbus, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government'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.

### Basis for Qualified Opinions

Management has not recorded the other post employment benefit (OPEB) liability and related expense in the governmental activities, business-type activities and proprietary funds. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities, business-type activities and proprietary funds. The amount by which this departure would affect the liabilities, net position and expenses has not been determined.

### Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and proprietary funds of the government, as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund (a major fund) and the aggregate remaining fund information of the government as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

*O'Hess & Associates, PC*

Billings, Montana  
May 11, 2015

TOWN OF COLUMBUS  
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Town of Columbus for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements which begin on page 8.

#### FINANCIAL HIGHLIGHTS

- The Town of Columbus' total net position increased \$125,133. Total net position was \$11,088,754 at the end of fiscal year 2014. Of this amount, \$2,531,275 may be used to meet the Town's ongoing obligations to citizens and creditors. The remainder includes \$7,323,854 in net investment in capital assets and \$1,233,625 in restricted net position.
- The Town's general fund fund balance was \$632,791 as of June 30, 2014. Fund balance for the general fund decreased \$177,691.
- Net position for the water and sewer funds increased \$181,204 and \$11,494, respectively. Net position for the solid waste fund decreased \$3,565.

#### USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

#### 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-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) budgetary comparisons.

##### 1. 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 position* (page 8) presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

The *statement of activities* (page 9) presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation leave). 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, public health, culture and recreation, other current charges and interest expense. The Town has three business type activities - operation of a water utility, a sewer utility and a solid waste utility.

##### 2. 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 Columbus, 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 Columbus can be divided into three categories: (a) *Governmental funds*, (b) *Proprietary funds* and (c) *Fiduciary funds*.

##### A. Governmental Funds.

Governmental funds are used to account for essentially the same functions reported 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 balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

TOWN OF COLUMBUS  
MANAGEMENT'S DISCUSSION & ANALYSIS

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations between the *governmental funds and governmental activities*. These statements are found on pages 10 through 13 of this report.

**B. Proprietary funds.**

The Town of Columbus operates three utilities; water, sewer and solid waste, which are proprietary enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The proprietary fund statements provide detail information for the Water, Sewer and Solid Waste funds. The basic proprietary fund financial statements can be found on pages 14 through 16 of this report.

**C. Fiduciary funds.**

Fiduciary funds are used to account for resources held for the benefit of parties 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 Columbus' own operations.

The Town of Columbus has one fiduciary fund, the Fireman's Pension and Disability fund. This fund is used to account for resources accumulated and payments made for disability and pension payments. The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following schedule of net position provides a summary comparison of the Town's governmental and business-type activities.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,824,926	\$ 1,921,507	\$ 2,144,660	\$ 2,015,575	\$ 3,969,586	\$ 3,937,082
Capital assets	4,703,390	4,781,073	5,151,603	5,239,287	9,854,993	10,020,360
<b>Total assets</b>	<b>6,528,316</b>	<b>6,702,580</b>	<b>7,296,263</b>	<b>7,254,862</b>	<b>13,824,579</b>	<b>13,957,442</b>
Other liabilities	32,968	-	61,395	60,659	94,363	60,659
Long-term liabilities	868,794	1,012,026	1,772,668	1,921,136	2,641,462	2,933,162
<b>Total liabilities</b>	<b>901,762</b>	<b>1,012,026</b>	<b>1,834,063</b>	<b>1,981,795</b>	<b>2,735,825</b>	<b>2,993,821</b>
Net position:						
Net investment in capital assets	3,927,106	3,856,921	3,396,748	3,337,052	7,323,854	7,193,973
Restricted	1,059,580	1,012,438	174,045	174,045	1,233,625	1,186,483
Unrestricted	639,868	821,195	1,891,407	1,761,970	2,531,275	2,583,165
	<b>\$ 5,626,554</b>	<b>\$ 5,690,554</b>	<b>\$ 5,462,200</b>	<b>\$ 5,273,067</b>	<b>\$ 11,088,754</b>	<b>\$ 10,963,621</b>

A significant portion of the Town's net position (77%) reflects its net investment in capital assets. These assets include land, buildings, machinery, and equipment, as well as infrastructure. Infrastructure assets include streets, sidewalks, water and sewer mains constructed by the Town or constructed and donated by subdivision developers. Capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt would need to be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,233,625 of the Town's net position represents resources that are subject to external restrictions on how they may be used. Restrictions have been established in the water and sewer funds for one year's annual principal payment of \$89,445 and \$84,600, respectively. The remaining balance of unrestricted assets (\$2,531,275) may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF COLUMBUS  
MANAGEMENT'S DISCUSSION & ANALYSIS

**Change in Net Position.** Governmental and business-type activities net position increased \$125,133 in 2014. Governmental activities net position decreased \$64,000 or 1%. Business-type activities net position increased \$189,133. The increase can be attributed to dollars set aside for future system improvements.

The following schedule provides a summary comparison of the Town's governmental and business-type activities.

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 174,555	\$ 144,654	\$ 960,165	\$ 996,075	\$ 1,134,720	\$ 1,140,729
Operating grants and contributions	59,103	68,695	-	-	59,103	68,695
Capital grants and contributions	-	-	21,720	500,000	21,720	500,000
General revenues:						
Taxes	1,285,129	1,353,258	-	-	1,285,129	1,353,258
Licenses and permits	4,535	2,880	-	-	4,535	2,880
Intergovernmental	415,639	395,137	-	18,269	415,639	413,406
Unrestricted investment earnings	3,600	3,651	7,075	6,249	10,675	9,900
Miscellaneous	30,168	12,935	5,398	1,323	35,566	14,258
Gain disposal of capital assets	11,000	7,375	-	-	11,000	7,375
<b>Total revenues</b>	<b>1,983,729</b>	<b>1,988,585</b>	<b>994,358</b>	<b>1,521,916</b>	<b>2,978,087</b>	<b>3,510,501</b>
<b>Expenses:</b>						
General government	322,658	313,890	-	-	322,658	313,890
Public safety	546,829	483,872	-	-	546,829	483,872
Public works	848,417	371,064	-	-	848,417	371,064
Public health	85,996	78,559	-	-	85,996	78,559
Culture and recreation	193,159	160,502	-	-	193,159	160,502
Other current charges	41,798	39,365	-	-	41,798	39,365
Water	-	-	314,104	319,716	314,104	319,716
Sewer	-	-	256,766	259,839	256,766	259,839
Solid Waste	-	-	234,355	226,560	234,355	226,560
Interest on long-term debt	8,872	13,041	-	-	8,872	13,041
<b>Total expenses</b>	<b>2,047,729</b>	<b>1,460,293</b>	<b>805,225</b>	<b>806,115</b>	<b>2,852,954</b>	<b>2,266,408</b>
Change in net position	(64,000)	528,292	189,133	715,801	125,133	1,244,093
Net position, beginning	5,690,554	5,162,262	5,273,067	4,557,266	10,963,621	9,719,528
Net position, ending	<u>\$ 5,626,554</u>	<u>\$ 5,690,554</u>	<u>\$ 5,462,200</u>	<u>\$ 5,273,067</u>	<u>\$ 11,088,754</u>	<u>\$ 10,963,621</u>

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two criteria below. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund. In addition to the General fund, we report the Water, Sewer and Solid Waste funds as major funds.

Total assets, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The Town's general fund fund balance was \$632,791 as of June 30, 2014. Fund balance for the general fund decreased \$177,691. The decrease occurred because available fund balance was used to fund current year operations.

The Water fund unrestricted net position was \$1,214,842 as of June 30, 2014. The net investment in capital assets is \$1,863,326 or 59% of total net position. The net investment in capital assets was acquired through the purchase of equipment, town construction and the donation of constructed infrastructure by subdivision developers. The Water fund charged its customers \$465,804 and increased its

TOWN OF COLUMBUS  
MANAGEMENT'S DISCUSSION & ANALYSIS

cash and cash equivalents by \$187,581. Restricted cash accounts are maintained for future system expansion and replacement of capital assets and one year's debt payment.

The Sewer fund unrestricted net position was \$461,115 as of June 30, 2014. The net investment in capital assets is \$1,435,817 or 72% of total net position. The net investment in capital assets was acquired through the purchase of equipment, town construction and the donation of constructed infrastructure by subdivision developers. The Sewer fund charged its customers \$261,917. Restricted cash accounts are maintained for future system expansion, replacement of capital assets, and one year's debt payment.

The Solid Waste fund unrestricted net position was \$215,450 as of June 30, 2014. The net investment in capital assets is \$97,605 or 31% of total net position. The net investment in capital assets was acquired through the purchase of equipment, town construction and the donation of constructed infrastructure by subdivision developers. The Town charged its customers \$230,095 and decreased its cash and cash equivalents by \$3,565.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

The Town of Columbus' net investment in capital assets for its governmental and business-type activities as of June 30, 2014 totaled \$7,323,854 (net of accumulated depreciation). Additional information of the Town of Columbus' capital assets can be found in the notes to the basic financial statements.

Revenue bond long-term debt as of the end of the fiscal year is reflected in the water and sewer funds. The Town has no special assessment debt as of the end of the fiscal year. Additional information of the Town of Columbus' long-term debt can be found in the notes to the basic financial statements.

#### **THE GOVERNMENT'S FUTURE**

##### **Economic Factors and Next Year's Budget**

The following factors are expected to have a significant effect on the Town's financial position or results of operations and were taken into account in developing the 2014-2015 budget:

The general fund fund balance is 33 percent of the 2014-2015 budgeted general fund expenditures. The Town Council's goal is to keep general cash reserves at no less than 20% of operating expenditures. \$418,649 was retained as a cash reserve, with \$2,464,155 authorized by Council to fund fiscal year 2014-2015 expenditures.

The Town experienced an increase in taxable value (although modest) and is experiencing continued growth and housing starts. The Town is in the process of surveying the entire Town to see where sidewalks exist and where they do, what is their condition. Council will begin to formulate a policy on how to repair or replace poor or nonexistent sidewalks and how to fund those repairs.

The Council will continue to work on the Storm Drainage System and the replacement of poor water and sewer lines.

The Council will begin the first phase of the Town's Trails System with a section of walking/jogging/biking path along the North edge of Old Highway 10 to the West of the Town's cemetery.

The Council wants to begin the work of creating a Cemetery District and outlining the boundaries so it may be put on the next election ballot.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview for all those with an interest in the Town of Columbus' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Clerk, 408 E. 1st Ave. N, Columbus, MT, 59019.

TOWN OF COLUMBUS  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 1,704,849	\$ 980,258	\$ 2,685,107
Receivables:			
Taxes and assessments	113,691	-	113,691
Governments	-	58,143	58,143
Utility	6,386	82,586	88,972
Note	-	18,494	18,494
Restricted assets:			
Cash and equivalents	-	1,005,179	1,005,179
Capital assets:			
Land and construction in progress	108,118	223,772	331,890
Capital assets, net of accumulated depreciation	4,595,272	4,927,831	9,523,103
 Total assets	 6,528,316	 7,296,263	 13,824,579
<b>LIABILITIES</b>			
Accounts payable-vendors	32,968	61,395	94,363
Long-term liabilities:			
Due within one year:			
Bonds/notes payable	154,003	118,389	272,392
Compensated absences	9,251	1,781	11,032
Due in more than one year:			
Bonds/notes payable	622,281	1,636,466	2,258,747
Compensated absences	83,259	16,032	99,291
 Total liabilities	 901,762	 1,834,063	 2,735,825
<b>NET POSITION</b>			
Net investment in capital assets	3,927,106	3,396,748	7,323,854
Restricted for:			
General government	23,311	-	23,311
Public safety	69,752	-	69,752
Public works	474,557	-	474,557
Capital projects	491,960	-	491,960
Debt service	-	174,045	174,045
Unrestricted	639,868	1,891,407	2,531,275
 Total net position	 \$ 5,626,554	 \$ 5,462,200	 \$ 11,088,754

TOWN OF COLUMBUS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 322,658	\$ 62	\$ -	\$ -	\$ (322,596)	\$ -	\$ (322,596)
Public safety	546,829	50,730	10,939	-	(485,160)	-	(485,160)
Public works	848,417	100,560	48,164	-	(699,693)	-	(699,693)
Public health	85,996	6,042	-	-	(79,954)	-	(79,954)
Culture and recreation	193,159	17,161	-	-	(175,998)	-	(175,998)
Other current charges	41,798	-	-	-	(41,798)	-	(41,798)
Interest on long-term debt	8,872	-	-	-	(8,872)	-	(8,872)
<b>Total governmental activities</b>	<b>2,047,729</b>	<b>174,555</b>	<b>59,103</b>	<b>-</b>	<b>(1,814,071)</b>	<b>-</b>	<b>(1,814,071)</b>
<b>Business-type activities:</b>							
Water	314,104	465,804	-	21,720	-	173,420	173,420
Sewer	256,766	264,266	-	-	-	7,500	7,500
Solid Waste	234,355	230,095	-	-	-	(4,260)	(4,260)
<b>Total business-type activities</b>	<b>805,225</b>	<b>960,165</b>	<b>-</b>	<b>21,720</b>	<b>-</b>	<b>176,660</b>	<b>176,660</b>
<b>Total</b>	<b>\$ 2,852,954</b>	<b>\$ 1,134,720</b>	<b>\$ 59,103</b>	<b>\$ 21,720</b>	<b>(1,814,071)</b>	<b>176,660</b>	<b>(1,637,411)</b>
<b>General revenues:</b>							
Property taxes					1,285,129	-	1,285,129
Licenses and permits					4,535	-	4,535
Intergovernmental					415,639	-	415,639
Unrestricted investment earnings					3,600	7,075	10,675
Miscellaneous					30,168	5,398	35,566
Gain on disposal of capital assets					11,000	-	11,000
<b>Total general revenues</b>					<b>1,750,071</b>	<b>12,473</b>	<b>1,762,544</b>
<b>Change in net position</b>					<b>(64,000)</b>	<b>189,133</b>	<b>125,133</b>
<b>Net position - beginning</b>					<b>5,690,554</b>	<b>5,273,067</b>	<b>10,963,621</b>
<b>Net position - ending</b>					<b>\$ 5,626,554</b>	<b>\$ 5,462,200</b>	<b>\$ 11,088,754</b>

TOWN OF COLUMBUS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 646,493	\$ 1,058,356	\$ 1,704,849
Receivables:			
Taxes and assessments	106,806	6,885	113,691
Utility	-	6,386	6,386
Total assets	<u>\$ 753,299</u>	<u>\$ 1,071,627</u>	<u>\$ 1,824,926</u>
<b>LIABILITIES</b>			
Accounts payable-vendors	<u>\$ 13,702</u>	<u>\$ 19,266</u>	<u>\$ 32,968</u>
Total liabilities	<u>13,702</u>	<u>19,266</u>	<u>32,968</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-taxes and assessments	<u>106,806</u>	<u>6,885</u>	<u>113,691</u>
Total deferred inflows of resources	<u>106,806</u>	<u>6,885</u>	<u>113,691</u>
<b>FUND BALANCES</b>			
Restricted for:			
General government	-	19,928	19,928
Public safety	-	69,752	69,752
Public works	-	471,055	471,055
Capital projects	-	491,960	491,960
Unassigned	<u>632,791</u>	<u>(7,219)</u>	<u>625,572</u>
Total fund balances	<u>632,791</u>	<u>1,045,476</u>	<u>1,678,267</u>
Total deferred inflows of resources and fund balances	<u>\$ 753,299</u>	<u>\$ 1,071,627</u>	<u>\$ 1,824,926</u>

TOWN OF COLUMBUS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
NET POSITION  
June 30, 2014

Total fund balances, governmental funds	\$ 1,678,267
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	4,703,390
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the fund financial statements.	113,691
Some liabilities (such as notes payable and compensated absences) are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(868,794)</u>
Net position of governmental activities	<u><u>\$ 5,626,554</u></u>

TOWN OF COLUMBUS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes/assessments	\$ 1,247,981	\$ 64,580	\$ 1,312,561
Fines and forfeitures	32,810	-	32,810
Licenses and permits	13,507	-	13,507
Intergovernmental	407,786	66,956	474,742
Charges for services	36,838	63,289	100,127
Investment earnings	907	2,693	3,600
Miscellaneous	25,548	4,620	30,168
<b>Total revenues</b>	<b>1,765,377</b>	<b>202,138</b>	<b>1,967,515</b>
<b>EXPENDITURES</b>			
Current:			
General government	294,600	874	295,474
Public safety	492,492	8,754	501,246
Public works	595,461	136,992	732,453
Public health	81,568	-	81,568
Culture and recreation	149,807	4,697	154,504
Other current charges	-	41,798	41,798
Debt service:			
Principal	147,868	-	147,868
Interest and other charges	8,872	-	8,872
Capital outlay	38,422	100,073	138,495
<b>Total expenditures</b>	<b>1,809,090</b>	<b>293,188</b>	<b>2,102,278</b>
Excess (deficiency) of revenues over expenditures	(43,713)	(91,050)	(134,763)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	133,978	133,978
Transfers out	(133,978)	-	(133,978)
<b>Total other financing sources (uses)</b>	<b>(133,978)</b>	<b>133,978</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(177,691)</b>	<b>42,928</b>	<b>(134,763)</b>
Fund balances - beginning	810,482	1,002,548	1,813,030
<b>Fund balances - ending</b>	<b>\$ 632,791</b>	<b>\$ 1,045,476</b>	<b>\$ 1,678,267</b>

TOWN OF COLUMBUS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (134,763)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation (\$227,178) exceeded capital outlay (\$138,495) in the current period. (88,683)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. 11,000

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 5,214

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt repayments. 147,868

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences (4,636)

Change in net position of governmental activities \$ (64,000)

TOWN OF COLUMBUS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Solid Waste	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 953,615	\$ 23,634	\$ 3,009	\$ 980,258
Receivables:				
Utility	36,010	26,109	20,467	82,586
Governments	58,143	-	-	58,143
Note	-	3,553	-	3,553
<b>Total current assets</b>	<b>1,047,768</b>	<b>53,296</b>	<b>23,476</b>	<b>1,124,540</b>
Non-current assets:				
Note receivable	-	14,941	-	14,941
Restricted assets:				
Cash and cash equivalents	324,753	486,022	194,404	1,005,179
Capital assets:				
Land	14,767	21,044	-	35,811
Construction in progress	-	179,761	8,200	187,961
Buildings and systems	3,986,698	2,848,745	109,164	6,944,607
Equipment and furniture	78,094	72,439	20,722	171,255
Less: accumulated depreciation	(1,042,233)	(1,105,317)	(40,481)	(2,188,031)
<b>Capital assets, net</b>	<b>3,037,326</b>	<b>2,016,672</b>	<b>97,605</b>	<b>5,151,603</b>
<b>Total non-current assets</b>	<b>3,362,079</b>	<b>2,517,635</b>	<b>292,009</b>	<b>6,171,723</b>
<b>Total assets</b>	<b>4,409,847</b>	<b>2,570,931</b>	<b>315,485</b>	<b>7,296,263</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable:				
Vendors	60,659	736	-	61,395
Compensated absences	757	781	243	1,781
Bonds payable	60,389	58,000	-	118,389
<b>Total current liabilities</b>	<b>121,805</b>	<b>59,517</b>	<b>243</b>	<b>181,565</b>
Non-current liabilities:				
Compensated absences	6,818	7,027	2,187	16,032
Bonds payable	1,113,611	522,855	-	1,636,466
<b>Total non-current liabilities</b>	<b>1,120,429</b>	<b>529,882</b>	<b>2,187</b>	<b>1,652,498</b>
<b>Total liabilities</b>	<b>1,242,234</b>	<b>589,399</b>	<b>2,430</b>	<b>1,834,063</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,863,326	1,435,817	97,605	3,396,748
Restricted for debt service	89,445	84,600	-	174,045
Unrestricted	1,214,842	461,115	215,450	1,891,407
<b>Total net position</b>	<b>\$ 3,167,613</b>	<b>\$ 1,981,532</b>	<b>\$ 313,055</b>	<b>\$ 5,462,200</b>

TOWN OF COLUMBUS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Solid Waste	
<b>REVENUES</b>				
Charges for services	\$ 465,804	\$ 261,917	\$ 230,095	\$ 957,816
Total operating revenues	465,804	261,917	230,095	957,816
<b>OPERATING EXPENSES</b>				
Personal services	84,633	77,395	17,879	179,907
Supplies	33,027	9,363	2,945	45,335
Purchased services	64,526	68,464	207,714	340,704
Depreciation	101,264	73,924	5,817	181,005
Total operating expenses	283,450	229,146	234,355	746,951
Operating income (loss)	182,354	32,771	(4,260)	210,865
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	4,388	2,657	30	7,075
Miscellaneous revenue	3,396	3,686	665	7,747
Interest expense	(30,654)	(27,620)	-	(58,274)
Total non-operating revenues (expenses)	(22,870)	(21,277)	695	(43,452)
Net income (loss)	159,484	11,494	(3,565)	167,413
Capital contributions	21,720	-	-	21,720
Change in net position	181,204	11,494	(3,565)	189,133
Total net position - beginning	2,986,409	1,970,038	316,620	5,273,067
Total net position - ending	<u>\$ 3,167,613</u>	<u>\$ 1,981,532</u>	<u>\$ 313,055</u>	<u>\$ 5,462,200</u>

TOWN OF COLUMBUS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATIONS:</b>				
Cash received from customers	\$ 463,357	\$ 263,422	\$ 230,725	\$ 957,504
Cash paid to employees	(85,127)	(77,629)	(18,239)	(180,995)
Cash paid to suppliers for goods and services	(97,553)	(77,091)	(210,659)	(385,303)
Net cash provided by operating activities	<u>280,677</u>	<u>108,702</u>	<u>1,827</u>	<u>391,206</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous revenue	<u>3,396</u>	<u>3,686</u>	<u>665</u>	<u>7,747</u>
Net cash provided by noncapital financing activities	<u>3,396</u>	<u>3,686</u>	<u>665</u>	<u>7,747</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Cash paid for capital assets	(36,946)	(56,376)	-	(93,322)
Capital contributions	21,720	-	-	21,720
Principal payments on bonds/notes	(55,000)	(92,380)	-	(147,380)
Interest paid	(30,654)	(27,620)	-	(58,274)
Net cash used by capital financing activities	<u>(100,880)</u>	<u>(176,376)</u>	<u>-</u>	<u>(277,256)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash received-note receivable	-	3,324	-	3,324
Interest received	<u>4,388</u>	<u>2,657</u>	<u>30</u>	<u>7,075</u>
Net cash provided by investing activities	<u>4,388</u>	<u>5,981</u>	<u>30</u>	<u>10,399</u>
Change in cash and cash equivalents	187,581	(58,007)	2,522	132,096
Cash and cash equivalents - beginning (includes restricted cash and cash equivalents of \$1,030,399)	<u>1,090,787</u>	<u>567,663</u>	<u>194,891</u>	<u>1,853,341</u>
Cash and cash equivalents - ending (includes restricted cash and cash equivalents of \$1,005,179)	<u>\$ 1,278,368</u>	<u>\$ 509,656</u>	<u>\$ 197,413</u>	<u>\$ 1,985,437</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 182,354	\$ 32,771	\$ (4,260)	\$ 210,865
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	101,264	73,924	5,817	181,005
(Increase) decrease in utility accounts receivable	(2,447)	1,505	630	(312)
Increase in accounts payable	-	736	-	736
Decrease in compensated absences	(494)	(234)	(360)	(1,088)
Net cash provided by operating activities	<u>\$ 280,677</u>	<u>\$ 108,702</u>	<u>\$ 1,827</u>	<u>\$ 391,206</u>

TOWN OF COLUMBUS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	Firemen's Disability and Pension Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,218	\$ -
Investments	488,490	-
Prepaid items	-	15,973
Receivables:		
Other	-	1,139
	530,004	17,112
<b>Total assets</b>	<b>530,004</b>	<b>\$ 17,112</b>
<b>LIABILITIES</b>		
Cash overdraft	\$ -	\$ 17,017
Due to other governments	-	95
	-	17,112
<b>Total liabilities</b>	<b>-</b>	<b>\$ 17,112</b>
<b>NET POSITION</b>		
Net position held in trust for benefits and other purposes	\$ 530,004	

TOWN OF COLUMBUS  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND  
For the Year Ended June 30, 2014

	Firemen's Disability and Pension Fund
<b>ADDITIONS</b>	
Taxes	\$ 14,414
Interest	7,713
Intergovernmental	15,994
Total additions	38,121
<b>DEDUCTIONS</b>	
Benefits	23,805
Total deductions	23,805
Change in net position	14,316
Net position - beginning	515,688
Net position - ending	\$ 530,004

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

The government reports the following major proprietary funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund types:

The government has a pension trust fund, the fire department relief association disability and pension fund, which accounts for the association's increases and decreases in net position.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

#### Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

##### Cash and Investments

The Town maintains a cash and investment portfolio for all funds. Investments are specifically identified to individual funds, managed by the Town Clerk/Treasurer and overseen by the Mayor and Town Council. The Town Clerk/Treasurer is responsible for setting the investment policies of the portfolio, reviewing and monitoring investments to ensure the Town's investment policies are met and ensuring investments are in compliance with State statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

##### Receivables

Utility and taxes and assessments receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer.

##### Inventories and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

Certain proceeds of the water and sewer enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-40
Buildings and systems	15-90
Machinery and equipment	5-30

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report 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 that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues 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.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk/treasurer to assign fund balance. There was no assigned fund balance in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The PERS fund had a deficit fund balance of \$7,219 as of June 30, 2014. The deficit occurred because expenditures exceeded revenues in the current year. The deficit is expected to be eliminated by increasing the property tax levy next year.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 1,704,849
Business-type activities	1,985,437
Fiduciary funds	<u>511,691</u>
	<u>\$ 4,201,977</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Petty cash	\$ 700	\$ -	\$ 700
Cash in banks:			
Demand deposits	3,462,736	-	3,462,736
Savings deposits	250,051	-	250,051
Time deposits	-	488,490	488,490
	<u>\$ 3,713,487</u>	<u>\$ 488,490</u>	<u>\$ 4,201,977</u>

*Custodial Credit Risk—Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$3,429,816 of the government's bank balance of \$4,418,356 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 129,816
Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>3,300,000</u>
	<u>\$ 3,429,816</u>

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

*Credit Risk.* Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 21,730	\$ -	\$ -	\$ 21,730
Construction-in-progress	43,038	43,350	-	86,388
Total capital assets, not being depreciated	<u>64,768</u>	<u>43,350</u>	<u>-</u>	<u>108,118</u>
Capital assets, being depreciated				
Buildings/improvements	2,552,880	-	-	2,552,880
Improvements other than buildings	199,112	7,666	-	206,778
Machinery and equipment	913,611	98,479	(16,000)	996,090
Infrastructure	2,660,509	-	-	2,660,509
Total capital assets, being depreciated	<u>6,326,112</u>	<u>106,145</u>	<u>(16,000)</u>	<u>6,416,257</u>
Less accumulated depreciation for:				
Buildings/improvements	(547,929)	(74,739)	-	(622,668)
Improvements other than buildings	(102,229)	(15,104)	-	(117,333)
Machinery and equipment	(566,840)	(65,448)	16,000	(616,288)
Infrastructure	(392,809)	(71,887)	-	(464,696)
Total accumulated depreciation	<u>(1,609,807)</u>	<u>(227,178)</u>	<u>16,000</u>	<u>(1,820,985)</u>
Total capital assets, being depreciated, net	<u>4,716,305</u>	<u>(121,033)</u>	<u>-</u>	<u>4,595,272</u>
Governmental activities capital assets, net	<u>\$ 4,781,073</u>	<u>\$ (77,683)</u>	<u>\$ -</u>	<u>\$ 4,703,390</u>
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 27,176	\$ -	\$ -	\$ 27,176
Construction-in-progress	181,703	14,893	-	196,596
Total capital assets, not being depreciated	<u>208,879</u>	<u>14,893</u>	<u>-</u>	<u>223,772</u>
Capital assets, being depreciated				
Buildings and systems	6,892,461	52,146	-	6,944,607
Machinery and equipment	144,972	26,283	-	171,255
Total capital assets, being depreciated	<u>7,037,433</u>	<u>78,429</u>	<u>-</u>	<u>7,115,862</u>
Less accumulated depreciation for:				
Buildings and systems	(1,896,397)	(171,280)	-	(2,067,677)
Machinery and equipment	(110,627)	(9,725)	-	(120,352)
Total accumulated depreciation	<u>(2,007,024)</u>	<u>(181,005)</u>	<u>-</u>	<u>(2,188,029)</u>
Total capital assets, being depreciated, net	<u>5,030,409</u>	<u>(102,576)</u>	<u>-</u>	<u>4,927,833</u>
Business-type activities capital assets, net	<u>\$ 5,239,288</u>	<u>\$ (87,683)</u>	<u>\$ -</u>	<u>\$ 5,151,605</u>

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 29,610
Public safety	37,921
Public works	115,893
Public health	4,884
Culture and recreation	<u>38,870</u>
Total depreciation-governmental activities	<u>\$ 227,178</u>
Business-type activities:	
Water	\$ 101,264
Sewer	73,924
Solid Waste	<u>5,817</u>
Total depreciation-business-type activities	<u>\$ 181,005</u>

Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
Governmental activities:			
General	\$ -	\$ (133,978)	\$ (133,978)
Nonmajor governmental funds	<u>133,978</u>	<u>-</u>	<u>133,978</u>
	<u>\$ 133,978</u>	<u>\$ (133,978)</u>	<u>\$ -</u>

Transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Long-Term Debt

Notes payable are as follows:

	Original Amount	Maturity	Interest Rate	Balance June 30, 2014
Storm drain-2008 (1)	\$ 1,147,220	February 2018	1.00%	\$ 532,580
Public works building-2012 (1)	300,000	February 2022	1.00%	<u>243,704</u>
				<u>\$ 776,284</u>

(1) Through Montana Board of Investments. Interest adjusted each year, up to a maximum of 15%.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 154,003	\$ 7,378	\$ 161,381
2016	160,412	5,823	166,235
2017	167,106	4,214	171,320
2018	168,912	2,513	171,425
2019	30,755	1,181	31,936
2020-2022	<u>95,096</u>	<u>1,670</u>	<u>96,766</u>
	<u>\$ 776,284</u>	<u>\$ 22,779</u>	<u>\$ 799,063</u>

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

During 2008, the Town issued water system revenue bonds (\$110,000) through the Department of Natural Resources and Conservation (DNRC) where the government pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds interest rate is 2.25 percent and are payable in installments on a semi-annual basis over a 20 year period. The amount outstanding as of June 30, 2014 was \$80,000.

During 2010, the Town issued water system revenue bonds (\$333,700) through the Department of Natural Resources and Conservation (DNRC) where the government pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds interest rate is 1.75 percent and are payable in installments on a semi-annual basis over a 20 year period. The amount outstanding as of June 30, 2014 was \$262,000.

During 2013, the Town issued water system revenue bonds (\$900,000) through the Department of Natural Resources and Conservation (DNRC) where the government pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds interest rate is 3.75 percent and are payable in installments on a semi-annual basis over a 20 year period. The amount outstanding as of June 30, 2014 was \$832,000.

The significant compliance provisions of the water system revenue bonds are 1) a debt service account will be established and credited monthly with one-sixth of the interest and principal due within the next six months with respect to all outstanding bonds payable from that account, 2) establish a reserve account of \$8,756, \$20,095 and \$60,470, respectively. These accounts will be established from existing resources and 3) produce net revenues not less than 125% of maximum principal and interest due in any subsequent fiscal year. The Town is in compliance with the provisions discussed above.

The government issued \$1,595,000 of sewer system revenue bonds during 1999. The government pledged income derived from the acquired or constructed assets to pay debt service. The revenue bonds have an interest rate of 4.375 percent and are payable in monthly installments of \$7,050, including interest, through April 2026. The amount outstanding as of June 30, 2014 was \$580,855.

The significant provisions of Resolution 625, relating to the issuance of the 1999 Sewer System Revenue Bonds are as follows: 1) establish an operating account to pay current operating expenses, 2) maintain a reserve account at \$84,600, 3) establish a repair and replacement account for the repair and replacement of the system, 4) maintain adequate property and liability insurance and surety bond coverage and 5) establish rates that will produce net revenues at least equal to 110% of the maximum principal and interest requirements. The Town is in compliance with the provisions discussed above.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 118,389	\$ 55,182	\$ 173,571
2016	121,085	50,992	172,077
2017	125,901	46,665	172,566
2018	129,842	42,170	172,012
2019	133,915	37,496	171,411
2020-2024	585,723	117,142	702,865
2025-2029	369,000	113,294	482,294
2030-2033	171,000	9,045	180,045
	<u>\$ 1,754,855</u>	<u>\$ 471,986</u>	<u>\$ 2,226,841</u>

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 924,152	\$ -	\$ (147,868)	\$ 776,284	\$ 154,003
Compensated absences	87,874	4,636	-	92,510	9,251
Governmental activity long-term liabilities	<u>\$ 1,012,026</u>	<u>\$ 4,636</u>	<u>\$ (147,868)</u>	<u>\$ 868,794</u>	<u>\$ 163,254</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 1,902,235	\$ -	\$ (147,380)	\$ 1,754,855	\$ 118,389
Compensated absences	18,901	-	(1,088)	17,813	1,781
Business-type activity long-term liabilities	<u>\$ 1,921,136</u>	<u>\$ -</u>	<u>\$ (148,468)</u>	<u>\$ 1,772,668</u>	<u>\$ 120,170</u>

For the governmental activities, notes payable and compensated absences are generally liquidated by the general fund.

Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue bond-future	\$ 174,045
Replacement/depreciation	<u>831,134</u>
	<u>\$ 1,005,179</u>

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Contingencies

The U.S. Environmental Protection Agency (USEPA) Region 9 has published a direct final Notice of Partial Deletion of the surface and subsurface soil components of the Mouat Industries Superfund Site. The Town has agreed to maintain certain institutional controls on the site and to meet with the Montana Department of Environmental Quality (DEQ) and USEPA at least every five years to discuss the site land use and groundwater restrictions. The Town will have no financial liability for cleanup costs, other than any costs associated with maintaining the institutional controls and meeting with the DEQ and USEPA for the required five year review, which costs, if any, are anticipated to be minimal.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Economic Dependency

Approximately 60 percent of the Town's taxable value is comprised of one taxpayer. Tax revenues generated by this taxpayer are approximately \$800,000.

Interlocal Agreements

Stillwater County provides dispatch services to the Town of Columbus. During fiscal year 2014, the Town paid \$30,000 for the services. The agreement may be cancelled by either party with proper notification.

The Columbus fire district provides fire services to the Town of Columbus. During fiscal year 2014, the Town paid \$81,608 for the services. The agreement may be cancelled by either party with proper notification.

The City-County Airport is owned and operated jointly by the Town of Columbus and Stillwater County. The operation of the Airport is accounted for by the County as a special revenue fund. All capital assets are recorded within the County's accounting records. The Airport is administered by representatives of the Town and County. The budget is approved by the controlling members. The Airport Board exercises control over the Airports normal operations.

Retirement Plans

The government participates in a statewide mandatory cost-sharing multiple employer defined benefit retirement plan which covers all employees. The Public Employee Retirement System (PERS) covers all city employees. The plan is established by State law and is administered by the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

Contribution rates for the plan are required and determined by State law. The PERS contribution rates for the employee and employer are 7.9% and 8.07%. The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The on-behalf contribution has not been recorded in the financial statements.

PERS:

On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The amounts contributed to the plan during the years ended June 30, 2014, 2013 and 2012, were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were \$97,827, \$77,673 and \$72,579 for the years ended June 30, 2014, 2013 and 2012, respectively.

Town volunteer fire fighters 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 and is accounted for as a pension trust fund. A member of the volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. 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 Board of Trustees, but may not exceed \$225 per month.

Whenever the pension trust fund contains an amount that is less than .21% of the total assessed value of taxable property, the Town is required to levy an annual tax. The Town levied \$15,713 in the pension trust fund for the year ended June 30, 201. As of June 30, 2014, the net position of the Fund exceeded the required amount. The State of Montana (State) contributes, out of moneys received from insurance premium taxes, an amount equal to one and one-half mills times the total taxable value of the Town, but not less than \$100. The State's contribution to the plan for 2014 was \$10,939.

TOWN OF COLUMBUS  
NOTES TO BASIC FINANCIAL STATEMENTS

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COLUMBUS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,607,521	\$ 1,607,521	\$ 1,247,981
Fees and fines	23,525	23,525	32,810
Licenses and permits	10,280	10,280	13,507
Intergovernmental	400,617	400,617	407,786
Charges for services	18,405	18,405	36,838
Investment earnings	1,421	1,421	907
Miscellaneous	10,553	10,553	25,548
Total revenues	<u>2,072,322</u>	<u>2,072,322</u>	<u>1,765,377</u>
<b>EXPENDITURES</b>			
Current:			
General government	314,641	314,641	294,600
Public safety	509,901	509,901	492,492
Public works	943,395	943,395	595,461
Public health	114,730	114,730	81,568
Culture and recreation	207,321	207,321	149,807
Debt service:			
Principal	147,869	147,869	147,868
Interest and other charges	8,872	8,872	8,872
Capital outlay	60,300	60,300	38,422
Total expenditures	<u>2,307,029</u>	<u>2,307,029</u>	<u>1,809,090</u>
Excess (deficiency) of revenues over expenditures	<u>(234,707)</u>	<u>(234,707)</u>	<u>(43,713)</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(164,686)</u>	<u>(164,686)</u>	<u>(133,978)</u>
Total other financing uses	<u>(164,686)</u>	<u>(164,686)</u>	<u>(133,978)</u>
Net change in fund balance	<u>\$ (399,393)</u>	<u>\$ (399,393)</u>	<u>(177,691)</u>
Fund balance - beginning			<u>810,482</u>
Fund balance - ending			<u>\$ 632,791</u>

TOWN OF COLUMBUS  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Town Council  
Town of Columbus  
Columbus, Montana

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Columbus, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated May 11, 2015. The report on the governmental activities, the business-type activities and the proprietary funds was qualified because management has not recorded the other post employment benefit (OPEB) liability and related expense.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government'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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government'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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

### Compliance and Other Matters

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

### The Government's Response to Findings

The government did not respond to the findings identified in our audit as described in the accompanying schedule of findings. Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)

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.

*O'Neal & Associates, PC*

Billings, Montana  
May 11, 2015

TOWN OF COLUMBUS  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements. The government ensures the quality of its financial statements by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

2014-002. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

2014-003. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the other post employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2014.

Effect: The governmental activities, the business-type activities and the proprietary funds' liabilities are understated, net position is overstated and expenses would change.

Recommendation: The government should engage an actuarial firm to determine the OPEB liability and related expense.

TOWN OF COLUMBUS  
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-3. RECONCILE PAYROLL CLEARING FUND	IMPLEMENTED
2013-4. FIREMAN'S PENSION AND DISABILITY FUND	IMPLEMENTED