

**TOWN OF RYEGATE  
GOLDEN VALLEY COUNTY  
RYEGATE, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**  
PO BOX 1980  
Billings, Montana 59103

Town of Ryegate  
Golden Valley County  
Ryegate, Montana 59074

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Town of Ryegate  
Golden Valley County  
Ryegate, Montana 59074

ORGANIZATION

CITY OFFICIALS

Patti Bruner Mayor

TOWN COUNCIL

Steve Bracha President

Terry Klepey Member

Charles Knight Member

Vicki Nunn Member

OFFICIALS

Chris Birdwell Attorney

Leslie Burroughs Clerk/Treasurer

Doug Miller City Judge

Mark Solnosky Public Utilities Supervisor

## TOWN OF RYEGATE MANAGEMENT' S DISCUSSION & ANALYSIS

The following discussion and analysis of the Town of Ryegate's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements.

The 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 trustee or agent for the benefit of those outside of the government.

### OVERVIEW OF THE FINANCIAL STATEMENTS

**Government-wide financial statements** - One of the most important questions asked about the government's finances is "Is the local government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. Those statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net assets and changes in them. You can think of net assets-the difference between assets and liabilities -as one way to measure the financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Assets and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities-Basic services are reported here, including the law enforcement, fire, public works, and parks departments, and general administration. Property taxes and intergovernmental revenue finance most of these activities.  
Business-type activities-Fees charged to customers to help it cover all or most of the cost of certain services it provides. The water and sewer system services are reported here.

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

**Fund financial statements** - The fund financial statements provide detailed information about the most significant funds-not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the governing body establishes several other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds-Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations.

Proprietary funds-Fees charged to customers for the services it provides-whether to outside customers or to other units of the government-these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds-Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## FINANCIAL HIGHLIGHTS

\*Net assets decreased as a result of this year's operations. Net assets of our governmental activities decreased by \$15,119.40 and net assets of our business-type activities decreased by \$12,306.81.

TOWN OF RYEGATE'S  
MANAGEMENT'S DISCUSSION & ANALYSIS  
STATEMENT OF NET ASSETS  
Governmental Activities

ASSETS	<u>2013</u>	<u>2014</u>
Cash & Equivalents	72,935.18	63,279.14
Investments	72,884.12	59,749.86
Petty Cash	50.00	50.00
Restricted Cash & Equivalents	2,410.85	0.00
Taxes/Assessments Receivable	0.00	4,833.99
Capital Assets not being depreciated	10,349.00	10,349.00
Capital Assets Being Depreciated (Net)	74,822.10	80,000.65
Total Assets	233,451.25	218,262.64
<b>LIABILITIES</b>		
Compensated Absences	1,031.87	1,767.00
Due to other govt.	804.34	0.00
Total Liabilities	1,836.21	1,767.00
<b>TOTAL NET ASSETS</b>	<b>231,615.04</b>	<b>216,495.64</b>

STATEMENT OF NET ASSETS  
Business-Type Activities

ASSETS	<u>2013</u>	<u>2014</u>
Cash & Equivalents	25,006.72	45,972.47
Investments	95,834.10	99,645.94
Restricted Cash & Equivalents	33,122.42	49,903.10
Investments	113,510.19	113,510.19
Accounts Receivable	17,888.77	9,896.04
Capital Assets not being Depreciated	10,675.00	10,675.00
Construction in Progress	47,969.25	0.00
Capital Assets Being Depreciated (Net)	1,021,283.50	1,515,073.39
Total Assets	1,365,289.95	1,844,676.13
<b>LIABILITIES</b>		
Accounts Payable	0.00	967.25
Matured Interest payable	3,168.78	9,600.00
Notes payable	275,551.42	759,845.94
Total Liabilities	278,720.20	770,413.19
<b>NET POSITION</b>		
Restricted	113,510.19	113,510.19
Unrestricted	137,181.77	152,069.20
Capital Assets Investments	802,755.37	758,780.45
Bond Indenture Requirements	33,122.42	49,903.10
<b>TOTAL NET POSITION</b>	<b>1,086,569.75</b>	<b>1,074,262.94</b>

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

\*During the year, our government had expenses that were \$19,813.65 more than the \$84,849.01 generated in general and program revenues.

STATEMENT OF ACTIVITIES

Governmental Expenses:	2013	2014
General Government	20,932.81	32,436.20
Public Safety	3,823.38	4,377.15
Public Works	7,978.83	24,811.21
Public Health	762.16	24,475.07
Culture & Recreation	2,435.00	3,968.03
Capital Outlay	0.00	10,990.00
Miscellaneous	0.00	3,605.00
Total Expenses	39,027.47	104,662.66
General Revenues		
Property Taxes	22,373.05	23,408.49
Local Option Taxes	0.00	0.00
Licenses & Permits	25.00	275.00
Intergovernmental	37,390.19	56,245.51
Investment Earnings	4,835.30	3,314.26
Miscellaneous	2,120.35	1,605.75
Total General Revenue	66,743.89	84,849.01
Change in Net Assets		(\$19,813.65)
Net Assets-Beginning	119,759.39	147,475.81
Prior Adjustment	0.00	0.00
Net Position-Ending	147,475.81	123,079.00

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

\*In the business-type activities, revenues increased \$5,343.23 and expenses decreased \$7,601.71.

STATEMENT OF ACTIVITIES

Revenue:	2013	2014
Program Revenue		
Charges for Services	81,143.02	91,071.15
Miscellaneous	4,584.90	0.00
Interest Earnings	5,595.77	3,811.84
Gain on Disposal of Capital Assets		
Total Revenues	91,323.69	94,882.99
 Expenses		
Water	61,336.24	57,684.55
Sewer	33,106.22	29,156.20
 Total Expenses	94,442.46	86,840.75
 Change in Net Assets	(8,714.54)	4,230.40
 Net Assets-Beginning	1,098,203.57	1,086,569.75
Prior Adjustment	124.00	-8,682.08
Net Assets-Ending	1,086,569.75	1,074,262.94

\*Water Charges for Services increased \$5,928.41

\*Sewer Charges for Services increased \$3,999.72

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

**THE GOVERNMENT AS A WHOLE**

**As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In our case, assets exceeded liabilities by \$216,495.64 as of June 30, 2014.**

Changes in Net Assets:

Governmental Major Funds

General Fund		
Mittelstedt		
Gas Tax		
DNRC –Conoco Cleanup	2013	2014
Taxes/Assessments -	22,373.05	23,408.49
Non-Tax Revenue -	44,370.84	61,440.52
Operating & Maintenance Expenses	39,027.47	90,067.66
Capital Outlay	0.00	10,990.00
Miscellaneous	0.00	3,605.00
Transfer to Capital Improvements	0.00	0.00

The General Fund balance decreased \$8,151.67 from 2013 to 2014. Revenue generated from taxes/assessments increased \$1,035.44 over the prior year.

The town purchased Black Mountain software to replace the out of date, poorly functioning software that had been in place. This expense accounts for some of the decrease in the fund balances. This purchase has been of great benefit to the town in assuring the financials are presented accurately and are free of material misstatement. Funds were used from the Mittelstedt Fund which is unrestricted from the benefactor, Mr. Gustaf Mittelstedt. Mr. Mittelstedt had traveled through the area and in a letter to the town, said that he was more impressed with the area, especially the Big Coulee south of town, than he was of the Grand Canyon.

The Town was awarded a \$206,080 HB7 Reclamation and Development State Grant for groundwater remediation at the site of the old Conoco gas station. \$23,024.37 of this grant was spent for work on the remediation during this fiscal year. Hydrogen Peroxide is being pumped into the underground fuel flume to dissipate the spill without having to remove more of the soil. This grant could take until 2017 before it is complete.

Changes in Net Assets:

Enterprise Major Funds

Water	2013	2014
Metered Water Sales	58,517.74	64,446.15
SRF Grant/Loan	47,802.00	499,333.00
Bulk Water	4,512.90	0.00
Interest Earnings	2,512.38	1,711.44

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

Bulk water sales vary year by year. 2014 was a wet year, and this even resulted in some flooding. The water and sewer rate increases brought the revenues up, allowing the town to do some maintenance and cover expenses.

Water	2013	2014
Personal Services	15,435.51	11,937.18
Supplies	3,385.43	2,818.70
Purchased Services	13,000.01	7,993.64

Changes in New Assets:

Enterprise Major Funds

Sewer	2013	2014
Service Charges	22,625.28	26,625.00
Interest Earnings	3,083.39	2,100.40

The sewer stay relatively the same as last year. There is a decrease in interest earnings.

Sewer	2013	2014
Personal Services	15,033.72	11,936.69
Supplies	725.24	4,297.29
Purchased Services	14,147.26	9,722.22

Purchased Services and personal services expenditures decreased while supplies increased.

The annual bond and interest payment, for the water infrastructure RD loan is \$14,796 a year. Payments are made at \$1,233.00 a month.

The reserve fund for this bond is being funded monthly at payments of \$124.00 until it is funded at one year of the payments at \$14,796. The account is currently at \$9,052.00.

The water tank SRF bond and interest payment is made semi-annually and started January 1, 2014. The reserve account was fully funded with the bond at \$15,292.68. The old water tank was almost 100 years old. The wooden roof was failing, and needed to be replaced. Great West Engineering entered into a contract with the town and researched replacing the roof. It was discovered that the tank structure was also in need of repair. It was found that funding for a new tank was comparable to what it would cost to custom build the roof of the old tank onsite. The SRF funding was provided in two main parts, the \$283,000 A Loan, and the \$283,000 B Loan. Not all the funds were needed and only \$276,741 of the A Loan was used, and \$270,394 of the B Loan was used. The A Loan is to be completely forgiven when the requirements are met and the project is complete.

TOWN OF RYEGATE  
MANAGEMENT'S DISCUSSION & ANALYSIS

The Government's Future:

Ryegate has very limited financial resources but also has serious infrastructure and service needs. The sewer lagoon is in need of improvements. The infrastructure was put in place in 1969. Great West Engineering is working on the Preliminary Engineering Report that DEQ has indicated is needed. This will cost \$40,000 and funds have been acquired with a \$20,000 loan, a \$15,000 grant and a \$5,000 grant. The Mayor has made a priority of locating manholes, and cleaning the service lines. The north edge of the lagoon was ripped to control erosion.

Ryegate operates on a tight budget and must sometimes make tough decisions as part of long-term planning. The Mayor and the Council discuss priorities and work on the issues as the funds allow. Progress has been made in critical areas due to the dedication of the Mayor and the Council.

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Town of Ryegate  
Golden Valley County  
Ryegate, Montana 59074

**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 Ryegate as of and for the year ended 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 Ryegate as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10) and budgetary comparison information (pages 33-35) 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 June 27, 2015 on our consideration of Town of Ryegate 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 Ryegate internal control over financial reporting and compliance.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
June 27, 2015

STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 123,081	\$ 145,618	\$ 268,699
Taxes Receivable	4,834	-	4,834
Accounts Receivable - Net	-	9,896	9,896
Due From Other Governments	8,011	-	8,011
<b>Total Current Assets</b>	<b>135,926</b>	<b>155,514</b>	<b>291,440</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	163,413	163,413
Capital Assets:			
Land	10,349	10,675	21,024
Net Depreciable Assets	80,001	1,515,073	1,595,074
<b>Total Noncurrent Assets</b>	<b>90,350</b>	<b>1,689,161</b>	<b>1,779,511</b>
<b>Total Assets</b>	<b>\$ 226,276</b>	<b>\$ 1,844,675</b>	<b>\$ 2,070,951</b>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts Payable	\$ 8,011	\$ 967	\$ 8,978
Current Portions Compensated Absences	606	852	1,458
Current Portion Long-Term Capital Obligations	-	7,938	7,938
<b>Total Current Liabilities</b>	<b>8,617</b>	<b>9,757</b>	<b>18,374</b>
Noncurrent Liabilities:			
Compensated Absences	1,161	1,626	2,787
Long-Term Capital Obligations	-	759,030	759,030
<b>Total Noncurrent Liabilities</b>	<b>1,161</b>	<b>760,656</b>	<b>761,817</b>
<b>Total Liabilities</b>	<b>9,778</b>	<b>770,413</b>	<b>780,191</b>
<b>NET POSITION:</b>			
Net investment in capital assets	90,350	758,780	849,130
Restricted	68,186	163,413	231,599
Unrestricted (Deficit)	57,962	152,069	210,031
<b>Total Net Position</b>	<b>216,498</b>	<b>1,074,262</b>	<b>1,290,760</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 226,276</b>	<b>\$ 1,844,675</b>	<b>\$ 2,070,951</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	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>GOVERNMENT OPERATIONS</b>						
General government	\$ 33,171	\$ 1,060	\$ -	\$ (32,111)		\$ (32,111)
Public safety	4,377	-	262	(4,115)		(4,115)
Public works	24,810	250	9,821	(14,739)		(14,739)
Public health	32,486	-	23,024	(9,462)		(9,462)
Culture and recreation	3,968	80	-	(3,888)		(3,888)
Miscellaneous	3,605	-	-	(3,605)		(3,605)
Unallocated Depreciation Expense *	5,811	-	-	(5,811)		(5,811)
Total Governmental Activities	<u>108,228</u>	<u>1,390</u>	<u>33,107</u>	<u>(73,731)</u>		<u>(73,731)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	\$ 73,149	\$ 64,446	\$ -		\$ (8,703)	(8,703)
Sewer	29,156	26,625	-		(2,531)	(2,531)
Total Business-type activities	<u>102,305</u>	<u>91,071</u>	<u>-</u>		<u>(11,234)</u>	<u>(11,234)</u>
Total Primary Government	<u>\$ 210,533</u>	<u>\$ 92,461</u>	<u>\$ 33,107</u>	<u>\$ (73,731)</u>	<u>\$ (11,234)</u>	<u>\$ (84,965)</u>
<b>GENERAL REVENUES</b>						
Taxes/assessments				28,242	-	28,242
Other State Revenues				31,365	-	31,365
Interest				3,590	3,811	7,401
Internal Balances				(4,583)	4,583	-
Total General Revenues				<u>58,614</u>	<u>8,394</u>	<u>67,008</u>
Change in Net Position				(15,117)	(2,840)	(17,957)
Net Position						
Beginning of the Year				231,615	1,086,569	1,318,184
Prior Period Adjustments				-	(9,467)	(9,467)
End of the Year				<u>\$ 216,498</u>	<u>\$ 1,074,262</u>	<u>\$ 1,290,760</u>

\* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Mittelstedt	Gas Tax	DNRC		
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 54,895	\$ 11,425	\$ 50,198	\$ -	\$ 6,563	\$ 123,081
Taxes Receivable	4,834	-	-	-	-	4,834
Due From Other Governments	-	-	-	8,011	-	8,011
<b>Total Assets</b>	<b>\$ 59,729</b>	<b>\$ 11,425</b>	<b>\$ 50,198</b>	<b>\$ 8,011</b>	<b>\$ 6,563</b>	<b>\$ 135,926</b>
<b>LIABILITIES:</b>						
Accounts Payable	-	-	-	8,011	-	8,011
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,011</b>	<b>-</b>	<b>8,011</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Property Taxes Receivable	4,834	-	-	-	-	4,834
<b>Total Deferred Inflows of resources</b>	<b>4,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,834</b>
<b>FUND BALANCE:</b>						
Fund Balances:						
Restricted	-	11,425	50,198	-	6,563	68,186
Unassigned:	54,895	-	-	-	-	54,895
<b>Total Fund Balance</b>	<b>54,895</b>	<b>11,425</b>	<b>50,198</b>	<b>-</b>	<b>6,563</b>	<b>123,081</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 59,729</b>	<b>\$ 11,425</b>	<b>\$ 50,198</b>	<b>\$ 8,011</b>	<b>\$ 6,563</b>	<b>\$ 135,926</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 123,081
Governmental Capital Assets	90,350
Long-term Liabilities	
Compensated Absences	(1,767)
Unavailable Property Taxes Receivable	4,834
<b>Net Position of Governmental Activities</b>	<b>\$ 216,498</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, 2014

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Mittelstedt	Gas Tax	DNRC		
<b>REVENUES:</b>						
Taxes/assessments	\$ 23,408	\$ -	\$ -	\$ -	\$ -	\$ 23,408
Licenses and permits	275	-	-	-	-	275
Intergovernmental revenues	23,138	-	9,821	31,035	262	64,256
Miscellaneous	1,606	-	-	-	-	1,606
Investment and royalty earnings	1,603	-	-	-	1,712	3,315
<b>Total Revenues</b>	<b>50,030</b>	<b>-</b>	<b>9,821</b>	<b>31,035</b>	<b>1,974</b>	<b>92,860</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
General government	32,436	-	-	-	-	32,436
Public safety	2,877	-	-	-	1,500	4,377
Public works	10,842	-	13,968	-	-	24,810
Public health	1,451	-	-	31,035	-	32,486
Culture and recreation	3,968	-	-	-	-	3,968
Miscellaneous	-	3,605	-	-	-	3,605
Capital Outlay	-	10,990	-	-	-	10,990
<b>Total Expenditures</b>	<b>51,574</b>	<b>14,595</b>	<b>13,968</b>	<b>31,035</b>	<b>1,500</b>	<b>112,672</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,544)</b>	<b>(14,595)</b>	<b>(4,147)</b>	<b>-</b>	<b>474</b>	<b>(19,812)</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In	-	-	2,024	-	-	2,024
Fund Transfers (Out)	(6,607)	-	-	-	-	(6,607)
<b>Total Other financial Sources/Uses</b>	<b>(6,607)</b>	<b>-</b>	<b>2,024</b>	<b>-</b>	<b>-</b>	<b>(4,583)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(8,151)</b>	<b>(14,595)</b>	<b>(2,123)</b>	<b>-</b>	<b>474</b>	<b>(24,395)</b>
<b>FUND BALANCE:</b>						
Beginning of the Year	63,046	26,020	52,321	-	6,089	147,476
End of the Year	\$ 54,895	\$ 11,425	\$ 50,198	\$ -	\$ 6,563	\$ 123,081

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

Ryegate, Town of  
Golden Valley County  
Ryegate, Montana 59074

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 Changes in Fund Balance		\$	(24,395)
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable			4,834
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(5,811)		
(Increase) decrease in compensated absence liability	<u>(735)</u>		(6,546)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays			<u>10,990</u>
Change in net position reported on the Statement of Activities		\$	<u>(15,117)</u>

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

	MAJOR		Total Enterprise Funds
	Water	Sewer	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 110,724	\$ 34,894	\$ 145,618
Accounts Receivable - Net	6,014	3,882	9,896
Total Current Assets	<u>116,738</u>	<u>38,776</u>	<u>155,514</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	49,903	113,510	163,413
Capital Assets:			
Land	675	10,000	10,675
Net Depreciable Assets	1,502,273	12,800	1,515,073
Total Noncurrent Assets	<u>1,552,851</u>	<u>136,310</u>	<u>1,689,161</u>
Total Assets	<u>\$ 1,669,589</u>	<u>\$ 175,086</u>	<u>\$ 1,844,675</u>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts Payable	\$ 967	\$ -	\$ 967
Current Portions Compensated Absences	426	426	852
Current Portion Long-Term Capital Obligations	7,938	-	7,938
Total Current Liabilities	<u>9,331</u>	<u>426</u>	<u>9,757</u>
Noncurrent Liabilities:			
Compensated Absences	813	813	1,626
Long-Term Capital Obligations	759,030	-	759,030
Total Noncurrent Liabilities	<u>759,843</u>	<u>813</u>	<u>760,656</u>
Total Liabilities	<u>769,174</u>	<u>1,239</u>	<u>770,413</u>
<b>NET POSITION:</b>			
Net investment in capital assets	735,980	22,800	758,780
Restricted for Replacement & Depreciation	25,558	113,510	139,068
Restricted for Bond Reserve RD	9,052	-	9,052
Restricted for Reserve SRF	15,293	-	15,293
Unrestricted (Deficit)	114,532	37,537	152,069
Total Net Position	<u>900,415</u>	<u>173,847</u>	<u>1,074,262</u>
Total Liabilities and Net Position	<u>\$ 1,669,589</u>	<u>\$ 175,086</u>	<u>\$ 1,844,675</u>

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		
	Water	Sewer	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	64,446	26,625	91,071
Total Operating Revenues	64,446	26,625	91,071
<b>OPERATING EXPENSES:</b>			
Personal services	11,937	11,937	23,874
Supplies	2,819	4,297	7,116
Purchased services	7,994	9,722	17,716
Depreciation	34,936	3,200	38,136
Total Operating Expense	57,686	29,156	86,842
OPERATING INCOME (LOSS)	6,760	(2,531)	4,229
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	1,711	2,100	3,811
Debt service interest expense	(15,463)	-	(15,463)
Total nonoperating revenue (expenses)	(13,752)	2,100	(11,652)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>			
Transfers in (out)	3,222	1,361	4,583
CHANGE IN NET POSITION	(3,770)	930	(2,840)
<b>NET POSITION:</b>			
Beginning of the Year	909,321	177,248	1,086,569
Prior Period Adjustments	(5,136)	(4,331)	(9,467)
End of the Year	\$ 900,415	\$ 173,847	\$ 1,074,262

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	\$ 64,383	\$ 26,016	\$ 90,399
Payments to Employees	(11,472)	(11,472)	(22,944)
Payments to Suppliers	(9,846)	(14,019)	(23,865)
Net Cash Provided (Used) by Operating Activities	<u>43,065</u>	<u>525</u>	<u>43,590</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating Subsidies and Transfers Between Funds	<u>3,222</u>	<u>1,361</u>	<u>4,583</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>3,222</u>	<u>1,361</u>	<u>4,583</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt	499,315	-	499,315
Purchases of Capital Assets	(483,956)	-	(483,956)
Principal Paid on Capital Debt	(10,322)	-	(10,322)
Interest Paid on Capital Debt	(15,463)	-	(15,463)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(10,426)</u>	<u>-</u>	<u>(10,426)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends	<u>1,711</u>	<u>2,100</u>	<u>3,811</u>
Net Cash Provided (Used) by Investing Activities	<u>1,711</u>	<u>2,100</u>	<u>3,811</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>37,572</u>	<u>3,986</u>	<u>41,558</u>
<b>BALANCE:</b>			
Beginning of the Year	<u>123,055</u>	<u>144,418</u>	<u>267,473</u>
End of the Year	<u>\$ 160,627</u>	<u>\$ 148,404</u>	<u>\$ 309,031</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 6,760	\$ (2,531)	\$ 4,229
Depreciation Expense	34,936	3,200	38,136
Changes In Assets and Liabilities:			
Accounts Receivable	(63)	(609)	(672)
Accounts Payable	967	-	967
Compensated Absences	<u>465</u>	<u>465</u>	<u>930</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 43,065</u>	<u>\$ 525</u>	<u>\$ 43,590</u>

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

Ryegate, Town of  
Golden Valley County  
Ryegate, Montana 59074

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	<u>Agency Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 51,520
Total Assets	<u>51,520</u>
LIABILITIES:	
Current Liabilities	
Warrants Payable	<u>51,520</u>
Total Liabilities	<u>51,520</u>

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

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Town of Ryegate (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 year 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 assets" 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 Non-exchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a non-exchange 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 Town of Ryegate was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Ryegate (the primary government) and any component units. 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. Based on those criteria the Town has no component units.

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended 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 (primary government). 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 water and sewer charges and
- Operating 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.

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 RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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.
- Mittelstedt Trust Fund – This fund is used to account for monies which were bequeathed to the Town for the use of sports related activities.
- Gas Tax Fund – This fund is used to account for the restricted state-shared gas tax revenues to be used for street maintenance within the town.
- DNRC Grant Fund – This fund is used to record the restricted grant revenue used for the clean-up costs of a former gasoline station.

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 warrants which were written but have not been paid by the County Treasurer. A warrant 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. This fund primarily consists of revenues collected by the County on behalf of other governments.

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

1. c. 1 TAXES

Property tax levies are set connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the Town. Taxable values are established by the Montana Department of Revenue based on market values. A re-valuation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

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.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 2 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. Information regarding the collateral and security for cash is not available to the Town. However, 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. The external investment pool is audited as part of Golden Valley County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

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. 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 and equipment 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 – 40 years
Machinery and Equipment	3 – 8 years
Infrastructure	40 – 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 property taxes. 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

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 \$606 and it is generally paid out of the general fund.

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

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.

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, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>
General Government	\$ 11,998
Culture and Recreation	50,198
Public Works	5,990
Total	<u>\$ 68,186</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 Golden Valley County. The Golden Valley County also serves as cashier and treasurer for the Town for tax and assessment collections and other revenues received by the Golden Valley County which are subject to distribution to the various taxing jurisdictions located in the Golden Valley County. The collections made by the Golden Valley 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 Golden Valley County Treasurer. No service charges have been recorded by the Town or the Golden Valley County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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	<u>\$ 123,081</u>	<u>\$ 309,031</u>	<u>\$ 51,520</u>	<u>\$ 483,632</u>

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

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

	<u>Amount</u>
Cash on Hand	\$ 50
Demand Accounts	161,475
Mutual Funds	319,207
STIP	<u>2,900</u>
Total	<u>\$ 483,632</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, 2014 all deposits were covered by FDIC insurance.

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, the Town's investment was exposed to custodial credit risk as follows:

<u>Investment</u>	<u>Investment Maturities - Book Value</u>					<u>Credit Quality Rating</u>
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 Years</u>	<u>10 or more years</u>	
Fixed annuity contracts	\$ 319,207	\$ 0	\$ 0	\$ 0	\$319,207	N/A

2. a SHORT TERM INVESTMENT POOL (STIP)

STIP is an external investment pool of the State of Montana. Although the STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company STIP has policy that it will be consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The Town's participant unit price is fixed at \$1 for both buys and sells.

The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value.

The STIP portfolio includes asset-backed and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government agency and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate).

Because of the pooled funds concept, cash held in STIP cannot be categorized as to custodial risk. For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001

NOTE 3. TAXES RECEIVABLE

The Town is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$174,445. The tax rates assessed for the year ended June 30, 2014 to finance Town operations and applicable taxes receivable for the follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	<u>103.85</u>	<u>\$ 4,834</u>

\* Denotes Major Funds

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 4. ACCOUNTS RECEIVABLE

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Unbilled but Paid in Advance</u>	<u>Net Accounts Receivable</u>
Sewer*	\$ 3,882	\$ 0	\$ 3,882
Water*	7,812	(1,798)	6,014
Total	<u>\$ 11,694</u>	<u>\$ (1,798)</u>	<u>\$ 9,896</u>

\* Denotes Major Funds

NOTE 5. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
DNRC Grant*	\$ 8,011	State of MT DNRC	Reimbursable grant amount due

\* Denotes Major Funds

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	\$ 10,349	\$ 0	\$ 10,349
Total Non-depreciable	<u>\$ 10,349</u>	<u>\$ 0</u>	<u>\$ 10,349</u>
<u>Depreciable:</u>			
Buildings	\$ 9,391	\$ 0	\$ 9,391
Improvements other than buildings	17,764	10,990	28,754
Machinery and equipment	29,345	0	29,345
Infrastructure	85,000	0	85,000
Total Depreciable	<u>\$ 141,500</u>	<u>\$ 10,990</u>	<u>\$ 152,490</u>
<u>Accumulated Depreciation:</u>			
Buildings	\$ (9,391)	\$ 0	\$ (9,391)
Improvements other than buildings	(8,348)	(1,147)	(9,495)
Machinery and equipment	(27,689)	(414)	(28,103)
Infrastructure	(21,250)	(4,250)	(25,500)
Total Depreciation	<u>\$ (66,678)</u>	<u>\$ (5,811)</u>	<u>\$ (72,489)</u>
Net Depreciable Assets	<u>74,822</u>	<u>5,179</u>	<u>80,001</u>
Net General Capital Assets	<u>\$ 85,171</u>	<u>\$ 5,179</u>	<u>\$ 90,350</u>

6. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Unallocated	\$ 5,811

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

6. c. At June 30, 2014, the schedule of changes in enterprise capital assets follows:

<u>Enterprise Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 10,675	\$ 0	\$ 0	\$ 10,675
Construction In Progress	47,969	0	(47,969)	0
Total Non-depreciable	<u>\$ 58,644</u>	<u>\$ 0</u>	<u>\$ (47,969)</u>	<u>\$ 10,675</u>
<u>Depreciable:</u>				
Improvements other than buildings	\$ 1,418,231	\$ 439,956	\$ 47,969	\$ 1,906,156
Machinery and equipment	0	44,000	0	44,000
Total Depreciable	<u>\$ 1,418,231</u>	<u>\$ 483,956</u>	<u>\$ 47,969</u>	<u>\$ 1,950,156</u>
<u>Accumulated Depreciation:</u>				
Improvements other than buildings	\$ (396,947)	\$ (37,695)	\$ 0	\$ (434,642)
Machinery and equipment	0	(441)	0	(441)
Total Depreciation	<u>\$ (396,947)</u>	<u>\$ (38,136)</u>	<u>\$ 0</u>	<u>\$ (435,083)</u>
Net Depreciable Assets	1,021,284	445,820	47,969	1,515,073
Net General Capital Assets	<u>\$ 1,079,928</u>	<u>\$ 445,820</u>	<u>\$ 0</u>	<u>\$ 1,525,748</u>

NOTE 7. CHANGES IN LONG-TERM DEBT

7. a. At June 30, 2014, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within One Year</u>
Compensated Absences	<u>\$ 1,032</u>	<u>\$ 735</u>	<u>\$ 1,767</u>	<u>\$ 606</u>

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

<u>Enterprise Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within One Year</u>
<u>Bonds and Notes Payable:</u>					
Revenue Bonds	\$ 277,975	\$ 499,315	\$ (10,322)	\$ 766,968	\$ 7,938
<u>Other Liabilities:</u>					
Compensated Absences	\$ 1,548	\$ 930	\$ 0	\$ 2,478	\$ 852
Total Enterprise Activities - Long-Term Debt:	<u>\$ 279,523</u>	<u>\$ 500,245</u>	<u>\$ (10,322)</u>	<u>\$ 769,446</u>	<u>\$ 8,790</u>

7. c. REVENUE BONDS

Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water system. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
Water tank Loan B	January 1, 2014	3.00%	20 years	July 1, 2043	\$ 270,394	\$ 264,894
USDA Loan	May 8, 2008	4.375%	40 years	May 8, 2048	278,800	225,333
Water tank Loan A	January 1, 2014	3.00%	20 years	July 1, 2043	276,741	276,741
					<u>\$ 825,935</u>	<u>\$ 766,968</u>

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

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

For the year ended 6/30:	Principal	Interest
2015	\$ 7,938	\$ 14,028
2016	11,369	17,632
2017	11,781	17,040
2018	12,176	16,465
2019	12,553	15,908
2020-2024	76,869	71,196
2025-2029	87,023	58,527
2030-2034	99,669	46,286
2035-2039	113,786	33,129
2040-2043	<u>333,804</u>	<u>7,852</u>
Totals	<u>\$ 766,968</u>	<u>\$ 298,063</u>

The revenue bonds are collateralized by the revenues of the water and the various special funds established by the bond ordinances. The ordinances provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

The bond ordinances also require that water rates be sufficient to provide for operations, maintenance and 125% of the maximum amount of principal and interest requirements in any future fiscal year of the Town. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The Town was in compliance with the applicable covenants.

NOTE 8. DEFERRED INFLOWS OF RESOURCES

PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	<u>\$ 4,834</u>	Taxes Receivable

\* Denotes Major Funds

NOTE 9. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
Water*	\$ (4,333)	Adjustment to accounts receivable during change in accounting systems
Sewer*	(4,331)	Adjustment to accounts receivable during change in accounting systems
Water*	<u>(803)</u>	Correction of long-term debt balances
Total	<u>\$ (9,467)</u>	

\* Denotes Major Funds

NOTE 10. RESTRICTED ASSETS

The following Restricted Cash was held by the City Treasurer as of June 30, 2014:

<u>Fund Name</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Restricted for Bond Repayment	\$ 24,345	\$ 0	24,345
Restricted for Replacement and Deprecation	<u>25,558</u>	<u>113,510</u>	<u>139,068</u>
Total	<u>\$ 49,903</u>	<u>\$ 113,510</u>	<u>\$ 163,413</u>

The ordinances authorizing the water revenue bonds requires that the City establish sinking funds or cash restricted for payment of principal and interest on all revenue bonds. At June 30, 2014, the sinking fund balance is sufficient to satisfy such bond ordinance requirements.

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 11. TRANSFERS

<u>Fund – from</u>	<u>Amount</u>	<u>Fund – to</u>
General*	\$ 2,024	Gas Tax*
General*	3,222	Water*
General*	1,361	Sewer*
Total	<u>\$ 6,607</u>	

\* Denotes Major Funds

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

The Town does not provide health insurance to employees and therefore does not report OPEB liability related to an implicit rate subsidy for health insurance benefits.

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.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

The Town participates in a state-wide, cost-sharing multiple employer defined benefit retirement plan which covers all Town employees (Public Employees Retirement System or PERS). The plan is established under State law and are administered by the State of Montana.

Publicly available annual reports that include financial statements and required supplemental information for the plan 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)

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%

TOWN OF RYEGATE

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 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>2013</u>		<u>2014</u>
PERS	\$	4,501	\$	5,461

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, and is accounted for as an agency fund of the Town. 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 Board of Trustees.

Montana law requires that the disability and pension fund contain at least 0.21 % of the total assessed value of taxable property within the Town limits but not more than 0.52% of the assessed taxable value. Once the fund contains less than 0.21 % of the assessed value the Town council shall levy a tax to be deposited in the fund. The Town's contribution to the plan for the fiscal year ended June 30, 2014 was \$0. The State contributes, out of moneys received for insurance premium taxes, an amount equal to 1½ mills times the total taxable value of the Town, but not less than \$100. The State's contribution to the plan for the fiscal year was \$262. The plan's benefits are established by the Association's Board of Trustees. Total benefits paid in the fiscal year ended June 30, 2014 amounted to \$0.

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

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			Gas Tax		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
Taxes/assessments	\$ 24,070	\$ 24,070	\$ 23,408	\$ -	\$ -	\$ -
Licenses and permits	275	275	275	-	-	-
Intergovernmental revenues	22,885	22,885	23,138	9,847	9,847	9,821
Miscellaneous	2,110	2,110	1,606	-	-	-
Investment and royalty earnings	600	600	1,603	-	-	-
<b>Total Revenues</b>	<b>49,940</b>	<b>49,940</b>	<b>50,030</b>	<b>9,847</b>	<b>9,847</b>	<b>9,821</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
General government	51,950	51,950	32,436	-	-	-
Public safety	2,850	2,850	2,877	-	-	-
Public works	11,500	11,500	10,842	22,500	22,500	13,968
Public health	1,500	1,500	1,451	-	-	-
Culture and recreation	4,200	4,200	3,968	-	-	-
Miscellaneous	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>72,000</b>	<b>72,000</b>	<b>51,574</b>	<b>22,500</b>	<b>22,500</b>	<b>13,968</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(22,060)</b>	<b>(22,060)</b>	<b>(1,544)</b>	<b>(12,653)</b>	<b>(12,653)</b>	<b>(4,147)</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In	-	-	-	-	-	2,024
Fund Transfers (Out)	-	-	(6,607)	-	-	-
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>(6,607)</b>	<b>-</b>	<b>-</b>	<b>2,024</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(22,060)</b>	<b>(22,060)</b>	<b>(8,151)</b>	<b>(12,653)</b>	<b>(12,653)</b>	<b>(2,123)</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			63,046			52,321
End of the Year			<u>\$ 54,895</u>			<u>\$ 50,198</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

	DNRC		
	Original Budget	Final Budget	Actual
<b>REVENUES:</b>			
Taxes/assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	206,080	206,080	31,035
Miscellaneous	-	-	-
Investment and royalty earnings	-	-	-
<b>Total Revenues</b>	<u>206,080</u>	<u>206,080</u>	<u>31,035</u>
<b>EXPENDITURES:</b>			
<b>Current</b>			
General government		-	-
Public safety		-	-
Public works		-	-
Public health	206,080	206,080	31,035
Culture and recreation		-	-
Miscellaneous		-	-
Capital Outlay		-	-
<b>Total Expenditures</b>	<u>206,080</u>	<u>206,080</u>	<u>31,035</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES/USES</b>			
Fund Transfers In	-	-	-
Fund Transfers (Out)	-	-	-
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>			
Beginning of the Year			-
End of the Year			<u>\$ -</u>

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

TOWN OF RYEGATE

NOTES TO THE BUDGET VS ACTUAL SCHEDULE  
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 budgeted funds. The major fund Mittelstedt Trust is not included because it is a budgeted permanent fund. The major funds Water and Sewer are not included in the schedule because they are enterprise funds.

The original budget was not amended so the original budget and the final budget are the same.

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 2. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
Sewer*	\$ 1,601	Fees exceeded appropriations and the Town did not amend the budget for the increased expenditures

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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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

Board of Trustees  
Town of Ryegate  
Golden Valley County  
Ryegate, Montana 59074

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 Ryegate as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Ryegate's basic financial statements and have issued our report thereon dated June 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Ryegate'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 and significant deficiencies.

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 Town'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 2014-001.

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 Ryegate'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 2014-002 and 2014-003.

### **Town of Ryegate's Response to Findings**

The Town did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State.

### **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.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
June 27, 2015

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SCHEDULE OF FINDINGS AND RESPONSES

Fiscal year 2014 findings:

2014-001 - Period Recognition of Revenue and Expenditures:

Criteria: Generally Accepted Accounting Principles (GAAP) requires expenditures, revenues, assets, and liabilities to be recorded in the period in which they are incurred and earned.

Condition: An invoice, for Olympus Technical Service was received and forwarded to the state to reimburse the town for the expenditure, before fiscal year 2014 ended. However, the expenditure and the corresponding revenue were not recognized until fiscal year 2015.

Effect: The effect was under reported expenditure, liability, revenue, and asset.

Context: Expenditures, Revenue, Accounts Payable, Revenue, and Due From Other Government, were all under reported by \$8,011. This has been corrected for financial reporting.

Cause: Cause was not recognizing incurred expenditures and the corresponding revenue in the correct accounting period.

Recommendation: We recommend that the town recognize expenditures when incurred and the corresponding revenue when earned in the correct accounting period.

2014-002 - Exceeding Budgetary Authority:

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." MCA 7-6-4012 (1) states "In its final budget resolution, the governing body may authorize adjustments to appropriations funded by fees through the budget period."

Condition: The Town incurred costs in the Sewer fund in excess of the original budget with no documented amendment to appropriations.

Effect: The Town has exceeded budgetary authority as required by Sections 7-6-4005 and 7-6-4012, MCA.

Context: In fiscal year ended June 30, 2014 the following fund had budget overdrafts,

- Sewer fund \$1,601

Cause: Sewer fund expenditures exceeded original budget and documented budget amendments during the fiscal year by \$1,601.

Recommendation: We recommend the Town monitor expenditures throughout the fiscal year and amend fee based budgets as necessary when fees exceed amounts originally budgeted

2014-003 - Authorized Investments:

Criteria: Montana Code Annotated (MCA) 7-6-202 (1) states "A local governing body may invest public money not necessary for immediate use by the county, city, or town in the following eligible securities:

(a) United States government treasury bills, notes, and bonds and in United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book-entry form with the federal reserve bank of New York; or

(c) obligations of the following agencies of the United States, subject to the limitations in subsection (2):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank."

Condition: The Town was not aware of this section of MCA when investing in the fixed annuity contracts beginning in 2008.

Effect: The Town is not in compliance with MCA.

Context: The Town current has \$319,207 invested in fixed annuity contracts.

Cause: The Town invested in six fixed annuity contracts which are not authorized under MCA 7-6-202..

Recommendation: We recommend the Town invest only in investments authorized by MCA.