

TOWN OF SUPERIOR
Superior, Montana

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

TOWN OF SUPERIOR
Superior, Montana

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TOWN OF SUPERIOR
Superior, Montana

TOWN OFFICIALS

MAYOR

Roni Phillips

COUNCIL

Denyse Traeder

Richard Lewis

Angelo Ververis

Kelly Dillon

Shirley Iwata

Thomas McCloskey

OFFICERS

Brenda Schneider, Clerk/Treasurer

John Woodland, Fire Chief

Thomas Orr, Attorney

Wanda James, Town Judge

Roger Wasley, Public Works Supervisor



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Town Council
Town of Superior
Superior, Montana 59872

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 Superior, Montana, (Town) 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Schedule of Revenues, Expenditures, and Other Sources (Uses) Budget and Actual – for each major program on pages 38-39, 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 appropriated 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Randall, Hensel & Company
Certified Public Accountants

Missoula, Montana
January 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

The Management's Discussion and Analysis provides readers with a narrative overview of the financial activities of the Town of Superior for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

The Town's total net assets increased by \$57,000 mainly due to the Town Offices construction. Total net assets were \$4,623,000 at the end of the fiscal year 2014. Of this amount, \$901,000 is unrestricted net assets and may be used to meet the Town's ongoing obligations. The remainder includes \$3,507,000 invested in capital assets and \$215,000 was externally restricted for specific purposes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Superior's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 12) 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 assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** (page 13) presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses reported in this statement for some items will require 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. Government Activities included general government, public safety (law enforcement and fire), streets, housing and community development, animal control, parks and swimming pool. Business-type Activities include Water and Wastewater (*sewer*).

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. Some funds are required to be established by State law and bond covenants, however, Town Council establishes other funds to help control and manage money for particular purposes (i.e. swimming pool special projects fund). The Town of Superior uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Government Funds. Government funds are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements report using the modified accrual basis of accounting which focuses on the *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 the government's near-term financing requirements.

Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenues are reported on the cash basis because most property taxes receivables are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred revenues are recorded in the government funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. Capital Asset acquisitions are reported as expenditures in government funds and the proceeds of general long-term debt as other financing sources.

Both, the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation between *government funds and government activities* view of the financial position. These statements are found on pages .

The Town of Superior maintains several government funds. Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures exceed 10% of total government fund amounts. Information presented separately for the General Fund, Street Fund, Capital Improvement Fund, and the Debt Service Fund. Data for the other non-major funds are combined into a single column.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Enterprise funds are used to account for operations that are financed and operated primarily with user charges. The Town of Superior uses enterprise funds to account for Superior Water and Wastewater Utilities.

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's operations. The fiduciary fund maintained by the Town of Superior is the Superior Volunteer Firemen's Relief Fund. The basic fiduciary fund financial statements are on pages 21-22.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables provide a summary comparison of the Town's government and business type net position for fiscal year 2014 to fiscal year 2013.

Town of Superior's Statements of Net Position (rounded to the nearest \$1,000) were as follows:

	<u>Governmental Activities</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	2014	2013		
Assets				
Current assets	\$ 300,000	\$ 277,000	\$ 23,000	8%
Capital assets - net	1,719,000	1,708,000	11,000	1%
Total Assets	<u>\$ 2,019,000</u>	<u>\$ 1,985,000</u>	<u>\$ 34,000</u>	2%
Liabilities				
Current liabilities	\$ 26,670	\$ 28,000	\$ (1,330)	-5%
Non-current liabilities	472,040	499,000	(26,960)	-5%
Total Liabilities	<u>\$ 498,710</u>	<u>\$ 527,000</u>	<u>\$ (28,290)</u>	-5%
Net Position				
Net investment in capital assets	\$ 1,239,000	\$ 1,200,000	\$ 39,000	3%
Restricted	83,000	83,000	0	0%
Unrestricted	198,000	175,000	23,000	13%
Total Net Position	<u>\$ 1,520,000</u>	<u>\$ 1,458,000</u>	<u>\$ 62,000</u>	4%

The amount invested in governmental capital assets represents 82% of the total net position at June 30, 2014. These assets include land, buildings, machinery and equipment. Capital assets are used to provide services to citizens; consequently, they are not available for spending.

An additional \$83,000 (5%) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets of \$198,000 (13%) may be used to meet the Town's ongoing obligations.

Overall, total government net position increased by \$62,000, which is mainly due to the capital assets additions of \$116,675 and long-term debt decreasing \$28,000 during fiscal year 2014.

Town of Superior's Statements of Net Position (rounded to the nearest \$1,000) were as follows:

	<u>Business-type Activities</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	2014	2013		
Assets				
Current assets	\$ 853,000	\$ 795,000	\$ 58,000	7%
Capital assets - net	3,748,000	3,906,000	(158,000)	-4%
Total Assets	<u>\$ 4,601,000</u>	<u>\$ 4,701,000</u>	<u>\$ (100,000)</u>	-2%
Liabilities				
Current liabilities	\$ 112,000	\$ 95,000	\$ 17,000	18%
Non-current liabilities	1,385,000	1,498,000	(113,000)	-8%
Total Liabilities	<u>\$ 1,497,000</u>	<u>\$ 1,593,000</u>	<u>\$ (96,000)</u>	-6%
Net Position				
Net investment in capit	\$ 2,268,000	\$ 2,329,000	\$ (61,000)	-3%
Restricted	132,000	135,000	(3,000)	-2%
Unrestricted	703,000	644,000	59,000	9%
Net Position	<u>\$ 3,103,000</u>	<u>\$ 3,108,000</u>	<u>\$ (5,000)</u>	0%

The amount invested in Business-type capital assets represents 73% of the total net position at June 30, 2014. These assets include land, buildings, machinery and equipment. Capital assets are used to provide services to citizens; consequently, they are not available for spending.

An additional \$132,000 (4%) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets of \$703,000 (23%) may be used to meet the Town's ongoing obligations.

Overall, total business-type net position decreased by \$5,000. The business-type activities remained stable in fiscal year 2014.

The following table shows the change in net position for government activities in 2014.

Town of Superior's Changes in Net Position (rounded to the nearest \$1,000) were as follows:

	<u>Governmental Activities</u>		Dollar Change	Percent Change
	2014	2013		
Revenues				
Program Revenue				
Charges for Service, Fines, Forfeitures	\$ 26,000	\$ 61,000	\$ (35,000)	-57%
Operating Grants and Contributions	90,000	95,000	(5,000)	-5%
Capital Grants and Contributions	1,000	129,000	(128,000)	-99%
General Revenues				
Property taxes	227,000	224,000	3,000	1%
Licenses and Permits	3,000	3,000	-	0%
Federal and State Shared Revenues	166,000	158,000	8,000	5%
Investment Earnings	-	-	-	100%
Miscellaneous	1,000	12,000	(11,000)	-92%
Gain on Sale of Capital Assets	33,000	-	33,000	100%
Total Revenues	<u>\$ 547,000</u>	<u>\$ 682,000</u>	<u>\$ (135,000)</u>	-20%
Expenses				
General Government	\$ 96,000	\$ 107,000	\$ (11,000)	-10%
Public Safety	165,000	140,000	25,000	18%
Public Works	89,000	99,000	(10,000)	-10%
Public Health	5,000	5,000	-	0%
Culture and Recreation	67,000	73,000	(6,000)	-8%
Housing and Community Development	1,000	1,000	-	0%
Interest on Long-term Debt	16,000	2,000	14,000	700%
Miscellaneous	46,000	45,000	1,000	2%
Total Expenses	<u>\$ 485,000</u>	<u>\$ 472,000</u>	<u>\$ 13,000</u>	3%
Change in Net Assets	<u>\$ 62,000</u>	<u>\$ 210,000</u>	<u>\$ (148,000)</u>	-70%

The fiscal year 2014 change in net position for governmental activities increased compared to 2013. The decrease in charges for service, fines and fees is due to reporting fuel taxes in operating grants and contributions and reporting the lighting district assessments in property taxes in 2014. The decrease in capital grants was mainly due to the fire hall project being completed and the remaining grants were received in 2014. The decrease in Miscellaneous was due to the change in reporting Other Post-Employment Benefits (OPEB). Property taxes receipts increased mainly due to delinquent taxes being paid. The increase in gain on sale of capital assets was due to the sale of land.

The increase in general government expenses is mainly due to the General Obligation Bond interest expense. Increase in Public Safety was mainly due to depreciation and repairs and maintenance expenses. The increase in interest on long-term debt was due to the paying the GO Bond interest on the fire hall project.

The following table shows each program's net cost (total cost less revenues generated by the activities). The Town's programs include General Government, Public Safety, Public Works, Public Health (i.e. animal control), Culture and Recreation, Housing/Community Development, and Miscellaneous. Depreciation and capital improvements are included in each function. The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Governmental Activities	Net (Expense)
General Government	\$ (95,000)
Public Safety	(85,000)
Public works	(65,000)
Public Health	(4,000)
Culture & Recreation	(59,000)
Housing/Community Development	0
Interest on long-term debt	(16,000)
<u>Miscellaneous</u>	<u>(44,000)</u>
Total Governmental Activities	\$ (368,000)

The following table shows the change in net position for business-type activities in 2014.

Town of Superior's Changes in Net Position (rounded to the nearest \$1,000) were as follows:

	<u>Business-type Activities</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>2014</u>	<u>2013</u>		
Revenues				
Program Revenue				
Charges for Service, Fines, Forfeitures	\$ 388,000	\$ 416,000	\$ (28,000)	-7%
General Revenues				
Investment Earnings	1,000	2,000	(1,000)	-50%
Miscellaneous	-	3,000	(3,000)	-100%
Total revenues	<u>\$ 389,000</u>	<u>\$ 421,000</u>	<u>\$ (32,000)</u>	-8%
Expenses				
Water	\$ 229,000	\$ 244,000	\$ (15,000)	-6%
Sewer	165,000	172,000	(7,000)	-4%
Total Expenses	<u>\$ 394,000</u>	<u>\$ 416,000</u>	<u>\$ (22,000)</u>	-5%
Change in Net Assets	<u>\$ (5,000)</u>	<u>\$ 5,000</u>	<u>\$ (10,000)</u>	-200%

The fiscal year 2014 change in net position for business-type activities decreased compared to 2013. Investment earnings decreased due to some long term CD's maturing and change in the interest rates. The decrease in Miscellaneous was due to the change in reporting Other Post-Employment Benefits (OPEB). Revenues and expenditures remained stable for FY 2013-2014.

The Town is required by Bond covenants to meet coverage requirements. During the review of the revenues and expenditures it was determined that coverage was met. Foreclosures and empty properties are impacting the water and sewer revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds Overview.

As noted earlier, the Town of Superior has four major government funds: the General Fund, Street Fund, Fire Dept Capital Improvement Fund, Debt Service Fund.

1. General Fund-- This is the primary operating fund of the Town of Superior's government. It accounts for many of the Town's general and administrative, legal, public safety, public works, and parks and recreation services.
2. Street Fund-- This fund is used to account for fuel taxes received from the State and the related expenses for construction, maintenance, or improvement of Town streets and alleys.
3. Capital Improvement Fund-- This fund is used to account for transfers from the general fund, and other funds to be solely used for construction and acquisition of equipment for the Town.
4. Debt Service—This fund is used to account for tax collections for the repayment of the Fire Hall General Obligation Bond.

General Fund Budgetary Highlights

Town of Superior adopts an annual appropriated budget for all of its funds. Differences between the original budget and the final amended budget were relatively minor.

There were additional appropriations for the fiscal year 2013-2014. The Town sold land for \$68,000 (Resolution No. 389). The Town used the funds from the sale of the land to pay off the INTERCAP loan on the Town Offices Construction.

\$47,000 was transferred from the general fund, \$2,000 was transferred from the street fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Town of Superior's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$5,467,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, source of supply, transmission and distribution and general plant. Land is not depreciated. The total decrease in the Town's investment in capital assets for the current fiscal year was a total of \$147,000 or a 2.6% decrease.

The Town Offices construction, a patrol car, and the Fire Department generator hookup were the additions to the Town of Superior's capital assets in governmental fund activities. The Town Offices construction was completed in Fiscal Year 2013-2014.

There were no additions to the Sewer capital assets.

There were no additions to the Water capital assets.

Additional information of the Town of Superior's Capital Assets can be found in the Notes to the Basic Financial Statements on pages 23-37.

Long-term Debt.

The reduction of Water and Sewer debt was due to the regular annual loan payments.

The reduction of the Town of Superior general obligation bond was due to the regular annual loan payments.

The Town of Superior paid off the INTERCAP loan in the governmental activities in the amount of \$65,000 for the Town Offices.

Other obligations include accrued vacation leave and sick leave. These are accounted for in the Long-term Debt Accounts. The Net change in Compensated Absences is reflected in the statement of activities in department expenses. Compensated Absences are reported as the actual amount accrued as of June 30, 2014.

Additional information of the Town of Superior's long-term debt can be found in the Notes to the Basic Financial Statements on pages 31-34.

FUTURE OF THE TOWN

- The Town of Superior has a preliminary engineering plan for constructing a river access park near the south end of the River Street Bridge. This River Park would allow recreational river users to access local businesses in the Town of Superior. Funding options are being sought.
- The Town of Superior approved an interlocal agreement for Law Enforcement Services with Mineral County for 2014-2015 in the amount of \$73,826.
- The Town of Superior approved an interlocal agreement for Justice Court Clerical Services with Mineral County for 2014-2015 in the amount of \$6300.
- The Town applied for a COPS hiring grant in the amount of \$162,000. The grant was awarded in September 2011. This is a 3 year grant. The Town received an extension of the COPS grant through August 2015.
- The Town of Superior is working with Lake County Community Development Corp and local business owners to complete a floodplain study of Flat Creek for the North side business district. The completion of the floodplain study will allow economic growth and development in the North side business district.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Superior's finances for all those with an interest in the government's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Town of Superior, 105 Cedar Street, PO Box 729, Superior, MT 59872.

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BASIC FINANCIAL STATEMENTS

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 231,684	\$ 681,354	\$ 913,038
Restricted Assets:			
Cash and Cash Equivalents	0	132,029	132,029
Property Taxes Receivable	44,083	0	44,083
Tax Lien Receivable	8,847	0	8,847
Accounts Receivable - Net of Allowances	0	39,296	39,296
Due From Other Governments	15,382	0	15,382
Capital Assets not being depreciated			
Land	222,459	296,043	518,502
Capital Assets being depreciated (net of accumulated depreciation)	1,496,240	3,452,150	4,948,390
TOTAL ASSETS	\$ 2,018,695	\$ 4,600,872	\$ 6,619,567
LIABILITIES:			
Current Liabilities:			
Compensated Absences - current portion	\$ 7,706	\$ 7,113	\$ 14,819
Long-term Debt - current portion	18,830	105,352	124,182
Total Current Liabilities:	\$ 26,536	\$ 112,465	\$ 139,001
Long-term Liabilities:			
GO Bonds - noncurrent portion	\$ 460,913	\$ 0	\$ 460,913
Revenue Bonds - noncurrent portion	0	1,297,000	1,297,000
Notes and Contract Payable - noncurrent portion	0	77,705	77,705
Compensated Absences - noncurrent portion	11,260	10,303	21,563
Total Long-term Liabilities	\$ 472,173	\$ 1,385,008	\$ 1,857,181
TOTAL LIABILITIES	\$ 498,709	\$ 1,497,473	\$ 1,996,182
NET POSITION			
Net Investment in Capital Assets	\$ 1,238,957	\$ 2,268,136	\$ 3,507,093
Restricted for:			
Debt Services	30,703	0	30,703
Public Safety	1,439	0	1,439
Public Works	37,516	0	37,516
Culture and Recreation	13,360	0	13,360
Housing and Community Development	130	0	130
Debt Covenant	0	132,029	132,029
Unrestricted	197,881	703,234	901,115
TOTAL NET POSITION	\$ 1,519,986	\$ 3,103,399	\$ 4,623,385

The accompanying notes are an
integral part of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Program Revenue			Net (Expense)/Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fines, Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENT ACTIVITIES:							
General Government	\$ 96,199	\$ 609	\$ 1,105	\$ 0	\$ (94,485)	\$ 0	\$ (94,485)
Public Safety	165,445	17,006	62,898	1,000	(84,541)	0	(84,541)
Public Works	89,169	10	24,199	0	(64,960)	0	(64,960)
Public Health	4,549	279	0	0	(4,270)	0	(4,270)
Culture and Recreation	67,384	8,192	0	0	(59,192)	0	(59,192)
Housing and Community Development	727	324	0	0	(403)	0	(403)
Interest on Long Term Debt	15,637	0	0	0	(15,637)	0	(15,637)
Miscellaneous	46,040	0	1,602	0	(44,438)	0	(44,438)
TOTAL GOVERNMENT ACTIVITIES	\$ 485,150	\$ 26,420	\$ 89,804	\$ 1,000	\$ (367,926)	\$ 0	\$ (367,926)
BUSINESS-TYPE ACTIVITIES							
Water	\$ 228,957	\$ 251,883	\$ 0	\$ 0	\$ 0	\$ 22,926	\$ 22,926
Sewer	164,863	135,806	0	0	0	(29,057)	(29,057)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 393,820	\$ 387,689	\$ 0	\$ 0	\$ 0	\$ (6,131)	\$ (6,131)
GENERAL REVENUES							
Property Taxes					\$ 226,694	\$ 0	\$ 226,694
Licenses and Permits					3,354	0	3,354
Federal and State Shared Revenues					166,013	0	166,013
Investment Earnings					318	1,459	1,777
Gain on Sale of Capital Asset					33,204	0	33,204
Miscellaneous					728	0	728
TOTAL GENERAL REVENUES					\$ 430,311	\$ 1,459	\$ 431,770
CHANGE IN NET POSITION					\$ 62,385	\$ (4,672)	\$ 57,713
NET POSITION							
Beginning of Year					1,457,601	3,108,071	4,565,672
End of Year					<u>\$ 1,519,986</u>	<u>\$ 3,103,399</u>	<u>\$ 4,623,385</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	Major Funds					Total Governmental Funds
	General Fund	Street Fund	Capital Improvement Fund	Fire Hall GO Bond Debt Service	Other Governmental Funds	
ASSETS:						
Cash and Investments	\$ 100,241	\$ 20,092	\$ 17,170	\$ 30,703	\$ 63,478	\$ 231,684
Property Taxes Receivable	26,972	0	0	6,014	11,097	44,083
Other Receivables	21,832	0	0	0	2,397	24,229
TOTAL ASSETS	<u>\$ 149,045</u>	<u>\$ 20,092</u>	<u>\$ 17,170</u>	<u>\$ 36,717</u>	<u>\$ 76,972</u>	<u>\$ 299,996</u>
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes Deferred	\$ 26,972	\$ 0	\$ 0	\$ 6,014	\$ 13,494	\$ 46,480
FUND BALANCE:						
Non-Spendable						
Restricted						
Public Safety	\$ 0	\$ 0	\$ 0	\$ 30,703	\$ 1,439	\$ 32,142
Public Works	0	20,092	0	0	17,424	37,516
Culture and Recreation	0	0	0	0	13,360	13,360
Housing and Community Development	0	0	0	0	131	131
Committed						
General Government	0	0	17,170	0	3,783	20,953
Public Safety	0	0	0	0	21,808	21,808
Public Works	0	0	0	0	3,941	3,941
Culture and Recreation	0	0	0	0	1,440	1,440
Public Health	0	0	0	0	152	152
Unassigned						
General Fund	122,073	0	0	0		122,073
TOTAL FUND BALANCE	<u>\$ 122,073</u>	<u>\$ 20,092</u>	<u>\$ 17,170</u>	<u>\$ 30,703</u>	<u>\$ 63,478</u>	<u>\$ 253,516</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 149,045</u>	<u>\$ 20,092</u>	<u>\$ 17,170</u>	<u>\$ 36,717</u>	<u>\$ 76,972</u>	<u>\$ 299,996</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Total Fund Balance from Above	\$ 253,516
Net Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	1,718,699
Deferred inflows of resources for property taxes receivable are recognized as revenue in the government-wide statement of net position.	46,480
Long-term liabilities, including bonds payable, other postemployment benefits, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(498,709)</u>
Net position of governmental activities	<u>\$ 1,519,986</u>

The accompanying notes are an
integral part of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

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

	Major Funds					Total Governmental Funds
	General Fund	Street Fund	Capital Improvement Fund	Fire Hall GO Bond Debt Service	Other Governmental Funds	
REVENUES:						
Taxes and Assessments	\$ 142,392	\$ 0	\$ 0	\$ 30,785	\$ 55,488	\$ 228,665
Licenses and Permits	3,443	0	0	0	0	3,443
Intergovernmental Revenues	222,561	24,006	0	0	10,250	256,817
Charges for Services	9,180	0	0	0	0	9,180
Fines and Forfeitures	3,967	0	0	0	0	3,967
Miscellaneous	7,178	0	0	0	6,400	13,578
Investment Earnings	301	3	0	15	332	651
TOTAL REVENUES	\$ 389,022	\$ 24,009	\$ 0	\$ 30,800	\$ 72,470	\$ 516,301
EXPENDITURES:						
Current:						
General Government	\$ 92,457	\$ 0	\$ 0	\$ 0	\$ 1,105	\$ 93,562
Public Safety	123,874	0	0	0	1,290	125,164
Public Works	36,956	9,125	0	0	18,952	65,033
Public Health	4,609	0	0	0	0	4,609
Cultural and Recreation	64,777	0	0	0	0	64,777
Housing and Community Development	0	0	0	0	727	727
Capital Outlay	15,482	0	89,832	0	11,361	116,675
Debt Service	65,165	0	0	33,676	0	98,841
Miscellaneous	0	0	0	0	46,040	46,040
TOTAL EXPENDITURES	\$ 403,320	\$ 9,125	\$ 89,832	\$ 33,676	\$ 79,475	\$ 615,428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (14,298)	\$ 14,884	\$ (89,832)	\$ (2,876)	\$ (7,005)	\$ (99,127)
OTHER FINANCING SOURCES (USES)						
Bank Financing	\$ 0	\$ 0	\$ 55,447	\$ 0	\$ 0	\$ 55,447
Sale of Capital Assets	68,000	0	0	0	0	68,000
Transfers In	0	0	17,170	0	32,000	49,170
Transfers Out	(47,170)	(2,000)	0	0	0	(49,170)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 20,830	\$ (2,000)	\$ 72,617	\$ 0	\$ 32,000	\$ 123,447
NET CHANGE IN FUND BALANCES	\$ 6,532	\$ 12,884	\$ (17,215)	\$ (2,876)	\$ 24,995	\$ 24,320
FUND BALANCE, Beginning of Year	115,541	7,208	34,385	33,579	38,483	229,196
FUND BALANCE, End of Year	\$ 122,073	\$ 20,092	\$ 17,170	\$ 30,703	\$ 63,478	\$ 253,516

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Change in Fund Balances as Reported on the Governmental Fund Statement	\$ 24,320
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate expenditures over the life of the assets:	
Capital Assets Purchased	116,675
Depreciation Expense	(70,877)
In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	33,204
Proceeds from the sale of capital assets	(68,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Net Change in Deferred Revenue	(1,971)
Debt proceeds provide current financial resources to the governmental funds, but issuing debt increases liabilities in the statement of net position:	
Loan Proceeds Received	(55,447)
Repayment of debt principal is and expenditure in the governmental funds, but the repayment reduces debt in the Statement of Net Position:	
Loan Principal Payments	83,204
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	
Net Change in Accrued Compensated Absences	<u>1,277</u>
Change in Net Position on the Government-wide Statement of Activity	<u><u>\$ 62,385</u></u>

The accompanying notes are an integral part
of these financial statements.

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TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

June 30, 2014

	Business-type Activities Major Enterprise Funds		
	Water Activities	Sewer Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 305,582	\$ 375,772	\$ 681,354
Accounts Receivable - Net of Allowances	27,071	12,225	39,296
Total Current Assets	\$ 332,653	\$ 387,997	\$ 720,650
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	\$ 116,675	\$ 15,354	\$ 132,029
Capital Assets (Net of Depreciation)	3,104,417	643,776	3,748,193
Total Noncurrent Assets	\$ 3,221,092	\$ 659,130	\$ 3,880,222
TOTAL ASSETS	\$ 3,553,745	\$ 1,047,127	\$ 4,600,872
LIABILITIES:			
Current Liabilities:			
Current Portion of Compensated Absences	\$ 3,554	\$ 3,559	\$ 7,113
Current Portion of Long-term Debt	93,352	12,000	105,352
Total Current Liabilities	\$ 96,906	\$ 15,559	\$ 112,465
Non-current Liabilities:			
Bonds Payable	\$ 1,167,000	\$ 130,000	\$ 1,297,000
Contracts/Loans/Notes Payable	77,705	0	77,705
Compensated Absences	5,151	5,152	10,303
Total Non-Current Liabilities	\$ 1,249,856	\$ 135,152	\$ 1,385,008
TOTAL LIABILITIES	\$ 1,346,762	\$ 150,711	\$ 1,497,473
NET POSITION:			
Net Investment in Capital Assets	\$ 1,766,360	\$ 501,776	\$ 2,268,136
Restricted - Loan Covenant	116,675	15,354	132,029
Unrestricted Net Assets	323,948	379,286	703,234
TOTAL NET POSITION	\$ 2,206,983	\$ 896,416	\$ 3,103,399

The accompanying notes are an
integral part of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF INCOME AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	Business-type Activities Major Enterprise Funds		
	Water Fund	Sewer Fund	Total Funds
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 251,883	\$ 135,806	\$ 387,689
Operating Expenses			
Personnel Services	\$ 40,508	\$ 39,476	\$ 79,984
Supplies	8,189	5,928	14,117
Purchased Services	47,064	50,521	97,585
Fixed Charges	1,850	0	1,850
Depreciation	93,253	65,023	158,276
Total Operating Expenses	<u>\$ 190,864</u>	<u>\$ 160,948</u>	<u>\$ 351,812</u>
Operating Income (Loss)	<u>\$ 61,019</u>	<u>\$ (25,142)</u>	<u>\$ 35,877</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	\$ 974	\$ 485	1,459
Debt Service Interest Expense	<u>(38,092)</u>	<u>(3,916)</u>	<u>(42,008)</u>
Total Nonoperating Revenue (Expense)	<u>\$ (37,118)</u>	<u>\$ (3,431)</u>	<u>\$ (40,549)</u>
Change in Net Position	\$ 23,901	\$ (28,573)	\$ (4,672)
Total Net Position - Beginning	<u>2,183,082</u>	<u>924,989</u>	<u>3,108,071</u>
Total Net Position - Ending	<u><u>\$ 2,206,983</u></u>	<u><u>\$ 896,416</u></u>	<u><u>\$ 3,103,399</u></u>

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
For the Year Ending June 30, 2014

	Business-type Activities Major Enterprise Funds		
	Water Fund	Sewer Fund	Total Funds
Cash Flows from (to) Operating Activities			
Cash Received from Customers	\$ 251,008	\$ 137,551	\$ 388,559
Cash Paid to Suppliers	(57,103)	(56,449)	(113,552)
Cash Paid to Employees	(39,877)	(38,839)	(78,716)
Net Cash Provided (Used) by Operating Activities	\$ 154,028	\$ 42,263	\$ 196,291
Cash Flows from Capital and Related Financing Activities			
Purchases/Acquisition/Construction of Capital Assets	\$ 0	\$ 0	\$ 0
Principal on Debt	(84,251)	(13,000)	(97,251)
Interest paid on Debt	(38,092)	(3,916)	(42,008)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (122,343)	\$ (16,916)	\$ (139,259)
Cash Flows from Investing Activities			
Interest Received	\$ 974	\$ 485	\$ 1,459
Net Cash Provided (Used) by Investing Activities	\$ 974	\$ 485	\$ 1,459
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 32,659	\$ 25,832	\$ 58,491
Cash and Cash Equivalents - June 30, 2013 (Including \$135,101 of Restricted Cash)	\$ 389,598	\$ 365,294	\$ 754,892
Cash and Cash Equivalents - June 30, 2014 (Including \$132,029 of Restricted Cash)	\$ 422,257	\$ 391,126	\$ 813,383

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
For the Year Ending June 30, 2014

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES - ENTERPRISE FUNDS

	Business-type Activities Major Enterprise Funds		
	Water Fund	Sewer Fund	Total Funds
Cash Flows from Operating Activities			
Operating Income	\$ 61,019	\$ (25,142)	\$ 35,877
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	93,253	65,023	158,276
(Increase) Decrease in Accounts Receivable	(874)	1,744	870
Increase (Decrease) in Compensated Absences	630	638	1,268
Net Cash Provided (Used) by Operating Activities	\$ 154,028	\$ 42,263	\$ 196,291

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2014

ASSETS	Fireman's Disability Pension Fund
Tax/Assessment Receivable (Net of Allowance for Uncollectible)	\$ <u>2,454</u>
Total Assets	\$ <u>2,454</u>
DEFERRED INFLOW OF RESOURCES:	
Property Taxes Deferred	\$ <u>2,454</u>
Total Deferred Inflow of Resources	\$ <u>2,454</u>
NET POSITION	
Held in Trust for Pension Benefits and Other Purposes	\$ <u><u>0</u></u>

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUPERIOR
SUPERIOR, MONTANA

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
For the Year Ending June 30, 2014

	<u>Fireman's Disability Pension Fund</u>
ADDITIONS	
Tax Revenue	\$ 10,330
Intergovernmental Revenue	<u>3,002</u>
Total Additions	<u>\$ 13,332</u>
DEDUCTIONS	
Payments to the Association	<u>\$ 13,332</u>
Total Deductions	<u>\$ 13,332</u>
Change in Net Position	\$ 0
Net Position July 1, 2013	<u>0</u>
Net Position June 30, 2014	<u><u>\$ 0</u></u>

The accompanying notes are an integral part
of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

A. Reporting Entity

The Town of Superior, Montana, (Town) is a Charter form of government governed by an elected Mayor and a five member Town Council. The Town provides a wide range of municipal services that include recreation, public improvements, and general administrative services. Sanitary sewer services and water services are provided by the Town and are accounted for in the Enterprise Funds. Electricity, gas, and garbage services are provided by private entities. The Town contracts with Mineral County for law enforcement services. The Town's financial statements contain all operations for which the Town Council has oversight responsibility.

B. Government-wide and Fund Financial Statements

The governmental-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. The effect of material 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.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental-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 are 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.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Property taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Revenue items are considered to be measurable and available only when cash is received by the government. Taxes and assessments receivable remaining uncollected at year end are offset by property taxes deferred since they are not available to pay liabilities of the current period.

Generally, restricted revenues are used first to pay expenses incurred when both restricted and unrestricted funds are available.

The government reports the following major governmental funds:

General Fund – This is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund – This fund is used to account for fuel taxes received from the State of Montana for the purposes of maintaining and repaving town streets and alleys. This fund is not always a major fund, but the Town has chosen to account for it as a major fund.

Capital Improvement Fund – This fund is used to account for transfers from the general fund, and other funds to be used solely for the construction and acquisition of equipment for the Town.

Fire Hall General Obligation (GO) Bond Debt Service Fund – This fund is used to account for the funds necessary to for debt service for the Town’s General Obligation bond outstanding used for construction of the of the fire hall.

The government reports the following major proprietary funds:

Water Enterprise Fund – This fund is used to account for the operating and nonoperating revenues, expenses, replacement and depreciation reserves and loan reserves of the public water utility system. The fund is maintained on the full accrual basis of accounting.

Sewer Enterprise Fund - This fund is used to account for the operation and nonoperating revenues, expenses, replacement and depreciation reserves and loan reserves of the public sewer utility system. The fund is maintained on the full accrual basis of accounting.

Additionally, the government reports the following fiduciary fund:

Fireman’s Disability Pension Fund – This Trust Fund is used to account for the activities of a local retirement plan, which accumulates resources for pension benefit payments to qualified employees. All funds are collected each month are paid to the Relief Association. Superior Volunteer Fireman’s Relief Association accumulates resources and maintains the records for the retired firemen. The Town of Superior has custody of the records, but they are separate from the Town’s financial system.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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

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

D. Budgets and Budgetary Accounting

The Town adopts an annual budget for all of its funds in accordance with Montana Code Annotated (MCA) Section 7-6-40. This statute requires the adoption of a preliminary budget, public hearings on the preliminary budget, and the final adoption of the budget by the later of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuation from the Department of Revenue (county assessor). The Town must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

The operations of the Town are based on a fiscal-year budget from July 1 through June 30. The budget for each budgeted fund is formulated on the basis of estimated revenues and expenditures for the ensuing fiscal year.

State law requires budgets for all funds other than agency funds. The expenditures from those funds are limited to the approved fund budget.

All appropriations lapse at June 30. If a town budget becomes depleted, the council is authorized by resolution to increase the budget for expenditure items in amounts equal to that, which could realistically become available to such fund.

Budget authority may be transferred among expenditure classifications within the same fund. Budget amounts shown are the amounts originally budgeted and do not reflect line-item budget transfers within the same fund during the year.

E. Property Taxes

Property taxes are levied in August of each fiscal year, based on the assessments of the prior January 1. Taxes are normally billed in October and are payable in two payments; half on November 30 and half on May 31. Property taxes are collected and maintained by the Mineral County Treasurer and remitted monthly to the Town.

Property tax revenue in the government fund statements is recognized as revenue when collected. Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by property taxes deferred. No allowance is made for uncollectible taxes, which are not considered to be significant.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

E. Property Taxes, continued

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the Town may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. The Town's policy is to not recognize this revenue until the protest is settled and taxes are distributed. Protested taxes are considered immaterial to these financial statements.

F. Enterprise Fund Accounts Receivable

Accounts receivable of the Enterprise Funds represents the net amounts of billed services that have not been collected. The water and sewer funds had receivables of \$39,296 as of June 30, 2014. The Town considers 100% of the receivables to be collectible.

G. Inventories

Purchases of inventories are recorded as expenditures at the time of purchase. Consequently, inventories on hand are not maintained in the accounting records and are not considered material to these financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more the \$5,000 and an estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

As allowed by GASB Statement No. 34, the Town opted not to retroactively report infrastructure acquired prior to the Town implementing GASB No. 34. The Town will prospectively report all infrastructure acquired after July 1, 2003, the date GASB No. 34 was implemented.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

H. Capital Assets

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

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	25
System infrastructure	40
Vehicles	10
Equipment, other than vehicles	20
Office equipment	10
Computer equipment	5

I. Capitalized Interest

The Town follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for the Town's own use. During the fiscal year, ending June 30, 2014, total interest incurred was \$57,645. None of the interest costs were required to be capitalized.

J. Vacation and Sick Leave

Liabilities incurred due to unused vacation and sick leave accumulated by employees is included in the financial statements. Expenditures for leave are recorded when paid in the Governmental Funds and when accrued in the Enterprise Funds. Upon separation from employment with the Town, employees are entitled to receive 100 percent of unused vacation leave and 25 percent of unused sick leave balances.

For the year, ended June 30, 2014, total accumulated vacation and 25 percent of sick leave payable (including the applicable estimated payroll taxes) decreased from \$20,243 to \$18,966 in the Governmental Funds, and increased from \$16,147 to \$17,416 in the Enterprise Water and Sewer Fund.

For governmental activities, compensated absences payables are liquidated by the general fund.

Changes in Vacation and Sick Leave;

	Vacation	Sick
07/01/13 Total Accrued Hours:	828.00	3,539.50
Accrued:	699.00	421.00
Used:	(772.00)	(204.00)
06/30/14 Total Accrued Hours:	755.00	3,756.50

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

K. Checks/Warrants

The Town pays for expenditures by issuing checks/warrants. Normally the accounts are credited at the time of issuance. However, if there are insufficient monies in the fund, the checks/warrants are then registered against the appropriate fund. In such a case the annual budget in the next fiscal year must include an appropriation that is at least equal to 10 percent of the amount, which might be collected by a maximum levy for the fund or the registered deficit in the fund, whichever is lower. At June 30, 2014, there were no registered warrants issued by the Town.

L. Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The Town recognizes and reports transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows of resources and deferred inflows of resources, respectively, and distinguishes them from assets and liabilities. Additionally, the Town recognizes and reports as the residual of all other elements presented in the statement of financial position as net position. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented by the Town on July 1, 2012.

M. Items Previously Reported as Assets and Liabilities

The Town has early implemented GASB Statement No. 65 *Item Previously Reported as Assets and Liabilities*. This statement properly classifies certain items that were previously reports as assets and liabilities as deferred outflows of resources or deferred inflows of resources. As it pertains to the Town, deferred property tax revenues have been reclassified as deferred inflows of resources. In addition, the account formerly referred to as deferred revenues has been segregated into two accounts “unearned revenues” and “property taxes deferred”.

NOTE 2. **CASH AND INVESTMENTS**

At June 30, 2014, cash consisted of cash in checking accounts, savings/investment accounts, and certificates of deposit. For purposes of the Statement of Cash Flows, the Town considers all highly liquid debt instrument purchases, with an original maturity of three months or less, to be cash equivalents.

The totals, stated at cost, were as follows:

Petty Cash	\$	150
Demand Deposits		502,093
Certificates of Deposit		512,824
Montana Short Term Investment Pool		
30,000 Units at \$1 each		30,000
Total	\$	<u>1,045,067</u>

Interest rates as of June 30, 2014 were .03 percent on Money Market accounts and rates varying between .20 and 1.11 percent on Certificates of Deposit.

Cash is insured up to \$250,000 per account with FDIC insurance. Amounts in excess of \$250,000 were collateralized at 100% as required by the Town’s financial policy.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 2. **CASH AND INVESTMENTS**, continued

State of Montana law allows the Town to invest in obligations of the United States Government, time and savings deposits with financial institutions, repurchase agreements, and with the State Treasurer under the State Unified Investment Program. During the year, the Town invested in time and savings deposits with a local bank and with the State Unified Investment Program.

NOTE 3. **FIXED ASSETS**

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated				
Construction in Progress	\$ 105,934	89,832	(195,766)	\$ -
Land	257,255	-	(34,796)	222,459
Total Capital Assets not being Depreciated	<u>\$ 363,189</u>	<u>\$ 89,832</u>	<u>\$ (230,562)</u>	<u>\$ 222,459</u>
Capital Assets being Depreciated				
Machinery and Equipment	\$ 586,857	26,844	-	\$ 613,701
Improvements	80,456	-	-	80,456
Buildings	848,475	195,766	-	1,044,241
Infrastructure	306,352	-	-	306,352
Total Capital Assets being Depreciated	<u>\$ 1,822,140</u>	<u>222,610</u>	<u>-</u>	<u>\$ 2,044,750</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (281,744)	(34,527)		\$ (316,271)
Improvements	(67,143)	(1,736)		(68,879)
Buildings	(80,212)	(19,297)		(99,509)
Infrastructure	(48,533)	(15,318)		(63,851)
Total Accumulated Depreciation	<u>\$ (477,632)</u>	<u>(70,878)</u>	<u>-</u>	<u>\$ (548,510)</u>
Governmental Capital Assets, Net	<u>\$ 1,707,697</u>	<u>241,564</u>	<u>(230,562)</u>	<u>\$ 1,718,699</u>

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 3. **FIXED ASSETS**, continued

The change in capital assets used in business activities were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land	\$ 296,043	-	-	\$ 296,043
Total Capital Assets not being depreciated	\$ 296,043	-	-	\$ 296,043
Capital Assets being depreciated				
Source of Supply	\$ 3,008,945	-	-	\$ 3,008,945
Transmission and Distribution	2,023,224	-	-	2,023,224
General Plant	114,047	-	-	114,047
Total Capital Assets being depreciated	\$ 5,146,216	-	-	\$ 5,146,216
Less accumulated depreciation for:				
Source of Supply	\$ (453,851)	(78,446)	-	\$ (532,297)
Transmission and Distribution	(998,047)	(73,877)		(1,071,924)
General Plant	(83,892)	(5,953)		(89,845)
Total accumulated depreciation	\$ (1,535,790)	(158,276)	-	\$ (1,694,066)
Business-type activities Capital Assets, net	\$ 3,906,469	(158,276)	0	\$ 3,748,193

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

Governmental activities:		
General government		\$ 3,122
Public safety		40,433
Public works		24,471
Public health		21
Culture and recreation		2,830
Total depreciation - governmental activities		<u>\$ 70,877</u>
Business-type activities:		
Water utilities		\$ 93,253
Sewer utilities		65,023
Total depreciation expense - business-type activities		<u>\$ 158,276</u>

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 4. LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES

The Town issued general obligation bonds as partial financing for construction of a Fire Hall, which was completed in the November of 2012. The bonds are backed by the full faith, credit, and taxing power of the Town. The bonds were issued pursuant to a resolution adopted by the Town on December 12, 2011. The proceeds of these bonds were used (a) to refund general obligation bond anticipation notes, (b) pay costs of issuance of the bond, and (c) pay associated costs of the project. Bonds payments are due in equal semi-annual installments of principal and interest at 3.125% per annum, with the first payment due on July 10, 2013 and final payment due January 10, 2033.

In May of 2013, the Town obtained a loan which allows advances up to \$105,000 for the purpose of constructing the new Town offices. Terms of this loan are principal and interest payments due semi-annually over a 20 year term, with an interest rate equal to the Board of Investments plus up to 1.5%, not to exceed 15% per annum. The town paid off the loan in December of 2013, with proceeds from the sale of land.

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

Purpose	Beginning Balance	Additions	Reductions	Ending Balance 06/30/14	Amounts Due within One Year
Bonds and notes Payable:					
Fire Hall-GO Bonds Issued 1/1/2013; Interest 3.125%; Term 20 years; Issued/Authorized \$498,000	\$ 498,000	-	18,257	\$ 479,743	\$ 18,830
Town Office-Note Payable Issued 5/24/2013; Interest variable not to exceed 15%; Due 8/15/2023; Issued/Authorized \$105,000	9,500	55,447	64,947	-	-
Total bonds and notes payable	\$ 507,500	\$ 55,447	\$ 83,204	\$ 479,743	\$ 18,830
Other Liabilities					
Compensated Absences	\$ 20,243	\$ -	\$ 1,277	\$ 18,966	\$ 7,706
Total other liabilities	\$ 20,243	\$ -	\$ 1,277	\$ 18,966	\$ 7,706
Total Long-term Liabilities	\$ 527,743	\$ 55,447	\$ 84,481	\$ 498,709	\$ 26,536

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 4. LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES, continued

The cash requirements for debt service of the GO Bonds until maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	18,830	14,846	33,676
2016	19,423	14,253	33,676
2017	20,035	13,641	33,676
2018	20,666	13,010	33,676
2019	21,316	12,360	33,676
2020-2024	117,086	51,294	168,380
2025-2029	136,722	31,658	168,380
2030-2033	125,665	9,036	134,701
Total	<u>\$ 479,743</u>	<u>\$ 160,098</u>	<u>\$ 639,841</u>

NOTE 5. LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES

The Town issued revenue bonds to refinance the costs of the construction of the water system of the Town. The water revenue bonds are payable solely from the net revenues of the systems pledged and appropriated to debt service and do not constitute a debt of the Town within the meaning of any constitutional or statutory limitation or provision.

The Town must charge recipients of water services such that the revenues of the waste water system for each fiscal year of the Town will be at least sufficient to pay the current expenses of operation and maintenance of the system.

The Town must also maintain an operating reserve, and produce net revenues during each fiscal year of not less than 125 percent of the principal and interest payable on the bond and on any other water debt then outstanding. As of June 30, 2014, \$116,675 was in the bond reserve fund.

The Town must charge recipients of sewer services such that the revenues of the sewer system for each fiscal year of the Town will be at least sufficient to pay the current expenses of operation and maintenance of the system, to maintain an operating reserve, and to produce net revenues during each fiscal year of not less than 125 percent of the principal and interest. As of June 30, 2014, \$15,354 was in the bond reserve fund.

A reserve account must be established to secure the Bond equal to the maximum of principal and interest payable in the current year or in any future year. Monthly deposits are to be made to the account. The debt service account and reserve account may be used only to pay the principal and interest on the bonds.

The Town maintains a sinking fund to account for monthly loan payments that are transferred in from operations and maintenance for the water and sewer systems. In December and June, the total is transferred back to operations and maintenance to make the loans' semi-annual payments.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 5. **LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES**, continued

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

Purpose	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds and contracts payable:					
Water System-WRF-05063	\$ 920,900	\$ -	\$ 49,900	\$ 871,000	\$ 58,000
Issued 11/4/2004; Interest 3.75%					
Term 23 years; Issued/Authorized \$1,229,105					
First Amended and Restated 2/27/2014; Interest 2.25%					
Water System-WRF-05064	308,000	-	25,000	283,000	26,000
Issued 11/4/2004; Interest 2.75%					
Term 20 years; Issued/Authorized \$500,000					
First Amended and Restated 2/27/2014; Interest 2.25%					
ARRA-Water System-WRF-09146	109,000	-	6,000	103,000	6,000
Issued 6/1/2009; Interest 0.75%					
Term 20 years; Issued/Authorized \$132,600					
Sewer System-WRF-06142	155,000	-	13,000	142,000	12,000
Issued 9/8/2005; Interest 2.75%					
Term 20 years; Issued/Authorized \$296,000					
First Amended and Restated 2/27/2014; Interest 2.25%					
Contracts Payable	84,408	-	3,351	81,057	3,352
Issued 11/1/2000; Interest 0%					
Term 40 years; Issued/Authorized \$124,630					
Total bonds and contracts payable	<u>\$ 1,577,308</u>	<u>\$ -</u>	<u>\$ 97,251</u>	<u>\$ 1,480,057</u>	<u>\$ 105,352</u>
Other liabilities:					
Compensated absences	\$ 16,148	\$ 1,267	\$ -	\$ 17,415	\$ 7,113
Total other liabilities	<u>\$ 16,148</u>	<u>\$ 1,267</u>	<u>\$ -</u>	<u>\$ 17,415</u>	<u>\$ 7,113</u>
Total Long-term Liabilities	<u><u>\$ 1,593,456</u></u>	<u><u>\$ 1,267</u></u>	<u><u>\$ 97,251</u></u>	<u><u>\$ 1,497,472</u></u>	<u><u>\$ 112,465</u></u>

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 5. LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES, continued

The cash requirements for debt service of the Revenue Bonds until maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 102,000	\$ 29,051	\$ 131,051
2016	104,000	27,457	131,457
2017	105,000	25,208	130,208
2018	107,000	22,950	129,950
2019	110,000	20,625	130,625
2020-2024	546,000	66,789	612,789
2025-2029	325,000	10,095	335,095
Total	<u>\$ 1,399,000</u>	<u>\$ 202,175</u>	<u>\$ 1,601,175</u>

The cash requirements for debt service of the Contract Payable until maturity are as follow:

Year Ended June 30,	Principal
2015	\$ 3,352
2016	3,352
2017	3,352
2018	3,352
2019	3,352
2020-2024	16,757
2025-2029	16,757
2030-2034	16,757
2035-2039	14,026
Total	<u>\$ 81,057</u>

NOTE 6. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Federal law (COBRA) allows terminated employees to remain on the County's health insurance plan for up to 18 months after termination if they pay the monthly premium and State law allows retirees to remain on the plan to age 65 if they pay the monthly premium.

The Town has four employees covered under its healthcare plan with an average age of 55. No employees have retired and participated in the Town's health insurance plan in the last 30 years. The Town's insurance carrier (Montana Municipal Interlocal Authority) does not calculate an age-rated premium for individuals employees or for individual participating governments. Consequently, the town does not believe that the actuarial liability for the future health care costs (if any) would be material to the Town's financial position and has not recorded any such liability.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7. **FUND BALANCE REPORTING FOR GOVERNMENTAL FUND TYPE**

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB No. 54:

Non-spendable Fund Balance – includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted Fund Balance – includes amounts that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The Town Council commits fund balances by formal adoption of Resolutions.

Assigned Fund Balance – includes amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. Fund balances may be assigned by the Mayor, Town Council, or Clerk/Treasurer.

Unassigned Fund Balance – includes the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications.

Spending Policy - The Town receives inflows from revenue and other financial sources from numerous sources for use in the General Fund. The Fund will expend those resources on multiple purposes of the local government. The intention of this spending policy is to identify the expenditure order of resource categories for the General Fund. Resources will be categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments. When both restricted and unrestricted resources are available in the General Fund, the resources will be spent in the following order (first to last): restricted, committed, assigned, and unassigned.

The Town receives inflows from revenue and other financial sources from numerous sources for use in the Special Revenue, Debt Service and Capital Projects funds. These funds will expend those resources on the specific purpose of the fund. When both restricted and unrestricted resources are available in the General Fund, the resources will be spent in the following order (first to last): restricted, committed, and assigned.

Minimum Fund Balance Policy – The Town of Superior does not have a minimum fund balance policy.

Major Special Revenue Funds – The Street Fund received State shared fuel taxes and investment earnings, which are used to maintain the Town's streets. The Capital Improvement Fire Department Fund received grant income, investment earnings, and a transfer from the General Fund which was used to build a fire hall.

NOTE 8. **INTERFUND TRANSFERS**

For the year ended June 30, 2014, the Town transferred \$47,170 from the General Fund to the Capital Project Funds. The Street Fund transferred \$2,000 to the Capital Projects Funds.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 9. RETIREMENT PLAN

The Town participates in a statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plan which covers all full time and eligible part-time employees if elected. The Public Employees' Retirement System (PERS) 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 for the plan. A copy of this report may be obtained from the Public Employees Retirement System, Public Employees Retirement Division, P.O. Box 200131, 100 N. Park Avenue, Helena, Montana 59620-0131, (406)444-3154.

Contribution rates are required and determined by State law. Effective July 1, 2013 the PERS contribution rate for employers and employees increased 1%. The contribution rates for 2014, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	State	Total
PERS	8.070%	7.900%	0.100%	16.070%

The amounts contributed by both the Town and its employees were as follows (amounts were equal to the required contribution for each year):

Year Ending June 30,		2014	2013	2012
Employer	\$	13,785	\$ 11,912	\$ 13,533
Employee		13,495	11,625	13,208

NOTE 10. OPERATING LEASES

The Town leases land from Montana Rail Link (MRL) under written agreements. The Town has water and sewer lines buried on MRL property. The leases are renewed annually. Total cost of the leases for the fiscal year ended June 30, 2014, was \$400.

NOTE 11. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND

The Fire Department Relief Association Disability and Pension Plan, which is established by State law, cover all firefighters. The plan is a defined contribution/defined benefit plan. State law determines the contributions made and the benefits paid. Effective April 7, 2005, each disability and pension fund must be soundly funded. The fund is soundly funded if (1) assets in the fund are maintained at a level equal to at least 0.21% but no more than 0.52% of the total assessed value of taxable property, determined as provided in MCA Section 15-8-111, within the limits of the city or town; or (2) funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound.

Whenever the fund contains an amount that is less than the minimum required to keep the fund soundly funded, the city or town council shall, subject to MCA Section 15-10-420, levy an annual tax on the taxable value of all taxable property within the city or town.

TOWN OF SUPERIOR
Superior, Montana

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 11. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND, continued

When the fund contains an amount that is less than 0.52% but more than 0.21% of the total assessed value of all taxable property within the city or town, the city or town council may, if authorized by the voters as provided in MCA Section 15-10-425, levy an annual tax. All revenues from the tax must be deposited in the fund. Tax revenues totaled \$10,330 for the year ended June 30, 2014. Additional Intergovernmental contributions to the plan for the year were \$3,002. No actuarial evaluation has been prepared for this fund.

NOTE 12. RISK MANAGEMENT

The Town faces a number of risks including (1) loss or damage to property, (2) environmental issues, (3) general liability, (4) employee medical insurance, and (5) worker's compensation claims. Commercial insurance policies are purchased for loss or damage to property, general liability, and employee medical insurance. Worker's Compensation and Comprehensive Liability is covered through the Montana Municipal Insurance Authority (see Note 9).

The Enterprise Fund also faces its own unique risks associated with water and sewer districts. Due to the age of the sewer plant and pipelines of the Town, there are risks of potential environmental damage due to such things as pipeline leakage. The Town has purchased insurance coverage for potential losses from environmental damages.

NOTE 13. USE OF ESTIMATES

The preparation of financial statements requires that management make estimates and assumptions, which affect the reported assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Town has adopted the provisions of GASB Statement No.31, which requires fair value disclosures for all financial instruments. The pronouncement defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts of cash and investments, grants receivable, and current liabilities approximate their fair values because of their short-term nature.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF SUPERIOR
SUPERIOR, MONTANA

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ending June 30, 2014

	Budgeted Amounts		
REVENUES:	Original	Final	Actual
Taxes	\$ 141,354	\$ 141,354	\$ 142,392
Licenses and Permits	3,100	3,100	3,443
Intergovernmental Revenues	216,464	216,464	222,561
Charges for Services	6,850	6,850	9,180
Fines and Forfeitures	6,250	6,250	3,967
Miscellaneous Revenue	650	650	7,178
Investment Earnings	225	225	301
Total Revenues	\$ 374,893	\$ 374,893	\$ 389,022
EXPENDITURES:			
Current Operations:			
General Government	\$ 106,394	\$ 107,081	\$ 92,457
Public Safety	147,226	147,226	139,356
Public Works	44,969	44,969	36,956
Public Health	5,625	5,625	4,609
Culture and Recreation	81,068	81,068	64,777
Debt Service	11,086	76,229	65,165
Total Expenditures	\$ 396,368	\$ 462,198	\$ 403,320
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (21,475)	\$ (87,305)	\$ (14,298)
OTHER SOURCES (USES)			
Sale of Capital Asset	0	68,000	68,000
Transfers In	0	0	0
Transfers Out	(20,000)	(22,170)	(47,170)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (41,475)	\$ (41,475)	\$ 6,532

TOWN OF SUPERIOR
SUPERIOR, MONTANA

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL - MAJOR FUND - STREET FUND
For the Year Ending June 30, 2014

	Budgeted Amounts		
REVENUES:	Original	Final	Actual
Intergovernmental	\$ 24,006	\$ 24,006	\$ 24,006
Investment Earnings	5	5	3
Total Revenues	\$ 24,011	\$ 24,011	\$ 24,009
EXPENDITURES:			
Current Operations:			
Public Works	\$ 29,214	\$ 29,214	\$ 9,125
Total Expenditures	\$ 29,214	\$ 29,214	\$ 9,125
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (5,203)	\$ (5,203)	\$ 14,884
OTHER SOURCES (USES)			
Transfers Out	(2,000)	(2,000)	(2,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (7,203)	\$ (7,203)	\$ 12,884

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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 *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

The Honorable Mayor and
Members of the Town Council
Town of Superior
Superior, Montana 59872

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 Superior, Montana, (Town) 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, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as IC 2014-001, that we consider to be significant deficiencies.

Compliance and Other Matters

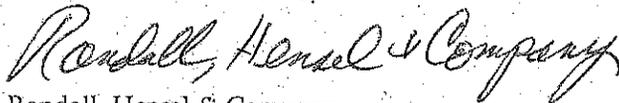
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance 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 questioned costs as item C 2014-002.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Randall, Hensel & Company
Certified Public Accountants

Missoula, Montana
January 12, 2015

TOWN OF SUPERIOR
Superior, Montana

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

IC 2014-001 SEGREGATION OF ACCOUNTING DUTIES (current and prior year finding)

Due to the Town's small administrative staff, the Town Clerk has control over several phases of the Town's transactions and operations. The Clerk's duties and responsibilities include documenting and preparing disbursements, making and recording deposits, reconciling accounts, and signing checks.

Basic internal control procedures allow for separate employees to perform the general categories of duties and responsibilities associated with the Town's transactions and operations including authorization, custody, recordkeeping and reconciliation.

The Town Council should continue to monitor the activities and operations of the Town.

C 2014-002 FIREMAN'S PENSION AND DISABILITY FUND (current and prior year finding)

In 2005, Section 19-18-504, Montana Code Annotated, was changed to require the Town to levy an annual tax whenever the funds of the Fireman's Pension and Disability Association (Association) are less than .21% of the Town's total assessed value of taxable property. At year end, the Association's cash was .11% of the assessed valuation.

While the Town continues to assess an annual levy and the fund's balance grows, the Town has yet to achieve compliance with this provision.

We recommend that the Town continue to assess an annual levy and when possible, increase the levy.

STATUS OF PRIOR YEAR FINDINGS

The current year findings IC 2014-001, C 2014-002 are the same as the prior year.

January 12, 2015

Randall, Hensel & Company
PO Box 4325
Missoula, MT 59806

Dear Loren:

The Town Council and I realize that we have a small staff, which makes ideal internal controls impossible. Although it is difficult to segregate all duties with a small staff, the Town employees will continue to segregate as many duties as possible. The Town Council and I will continue to actively monitor the Town's activities and transactions.

The Town of Superior is aware of the state law, MCA 19-18-504, requirements for the Firemen's Pension and Disability Fund. The Town of Superior levies an annual tax for the fund and contributes intergovernmental funds as well. The Town has been and is increasing the annual levy and intergovernmental fund contributions each fiscal year to bring the funding to the required levels.

If you have any questions please contact me at 822-4672.

Sincerely,



Roni Phillips
Mayor