

**Town of Whitehall
Montana**

**FINANCIAL AND COMPLIANCE
REPORT**

Year ended June 30, 2013

Town of Whitehall

Montana

**FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2013**

TABLE OF CONTENTS

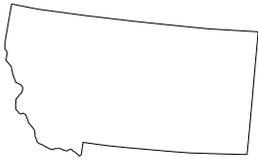
INDEPENDENT AUDITORS REPORT.....	2 - 4
BASIC FINANCIAL STATEMENTS	
2013	
Government-wide Financial Statements	
Statement of Net Position.	5
Statement of Activities.	6
Governmental Funds Financial Statements	
Balance Sheet - Governmental Funds.....	7
Reconciliation of the Balance Sheet to the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	9
Proprietary Funds Financial Statements	
Statement of Net Position.	10
Statement of Revenues, Expenses, and Change in Net Position.....	11
Statement of Cash Flows..	12
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.	13
Notes to Financial Statements.....	14 - 27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Encumbrances	
- Budget and Actual - Major Funds.	28
Notes to Required Supplementary Information.	29
Schedule of Expenditure of Federal Awards.	30
Notes to Schedule of Expenditure of Federal Awards.	31

TABLE OF CONTENTS - Continued

INDEPENDENT AUDITORS REPORTS

On Compliance and Internal Control Over Financial Reporting.	32 - 33
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.	34 - 35
Schedule of Findings and Questioned Costs.	36 - 37

MANAGEMENT'S RESPONSE



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Town Council Members
Town of Whitehall
Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Whitehall, Montana, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Town of Whitehall'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 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.

Basis for Qualified Opinion

Management has not obtained a valuation of other post employment benefits as required by Governmental Auditing Standards Board Statement No. 45. The amount by which this valuation would decrease the net position and increase expenses of the governmental activities, business-type activities, and the water, sewer, solid waste, and ambulance major enterprise funds has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to in the preceding paragraph present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the water, sewer, solid waste, and ambulance major enterprise funds of Town of Whitehall, Montana, as of June 30, 2013 and in the respective changes in financial position and, where applicable, the cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund, and the aggregate remaining fund information of Town of Whitehall, Montana, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principles

As described in Note 2 to the financial statements, the Town adopted the provisions of GASB Statement 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No 14 and No 34*, GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. *The opinion is not modified with the implementation of these GASB Statements.*

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management, Discussion and Analysis and the budgetary comparison information on page 28 be presented to supplement the basic financial statements. Management has omitted the Management Discussion and Analysis which is required by the same standards. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s response 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. Our opinion on the basic financial statements is not affected by the omitted Management Discussion and Analysis.

Other Matters - Continued

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Whitehall's basic financial statements. The accompanying supplementary information is presented to comply with state and federal requirements and is not a required part of the financial statements.

Required by the Office of Management and Budget Circular A-133

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2014 on our consideration of Town of Whitehall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Whitehall's internal control over financial reporting and compliance.

December 16, 2014



Ross R. Stalcup
Certified Public Accountant

Town of Whitehall

Montana

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents.	\$845,780	\$414,939	\$1,260,719
Property Taxes Receivable.	15,523		15,523
Accounts Receivable.	940	86,886	87,826
Total Current Assets.	<u>862,243</u>	<u>501,825</u>	<u>1,364,068</u>
Non-Current Assets			
Restricted Cash and Investments.	250	151,409	151,659
Capital Assets- Land.	29,818	710,157	739,975
Capital Assets- Construction in Progress.		4,012,434	4,012,434
Capital Assets.	855,537	4,637,563	5,493,100
Accumulated Depreciation.	(392,154)	(2,624,100)	(3,016,254)
Total Capital Assets - Net of Depreciation.	<u>493,201</u>	<u>6,736,054</u>	<u>7,229,255</u>
Total Non-Current Assets.	<u>493,451</u>	<u>6,887,463</u>	<u>7,380,914</u>
Total Assets.	<u>1,355,694</u>	<u>7,389,288</u>	<u>8,744,982</u>
Deferred Outflow of Resources.	0	0	0
Total Assets and Deferred Outflow of Resources.	<u><u>1,355,694</u></u>	<u><u>7,389,288</u></u>	<u><u>8,744,982</u></u>
LIABILITIES			
Current Liabilities			
Accounts Payable.	54	79	133
Long Term Capital Liabilities.		61,944	61,944
Compensated Absences.		7,853	7,853
Total Current Liabilities.	<u>54</u>	<u>69,876</u>	<u>69,930</u>
Non Current Liabilities			
Long Term Capital Liabilities.	178,947	3,324,612	3,503,559
Compensated Absences.	2,498	7,997	10,495
Deposits Payable.	250		250
Total Non Current Liabilities	<u>181,695</u>	<u>3,332,609</u>	<u>3,514,304</u>
Total Liabilities.	<u>181,749</u>	<u>3,402,485</u>	<u>3,584,234</u>
Deferred Inflow of Resources.	0	0	0
Total Liabilities and Deferred Inflow of Resources.	<u>181,749</u>	<u>3,402,485</u>	<u>3,584,234</u>
Total Net Position.	<u><u>1,173,945</u></u>	<u><u>3,986,803</u></u>	<u><u>5,160,748</u></u>
NET POSITION			
Net Investment in Capital Assets.	311,756	3,349,498	3,661,254
Restricted			
Replacement and Depreciation.		118,911	118,911
Debt Service.	24,628	32,498	57,126
Corpus of Permanent Trust- Nonspendable.	147,583		147,583
General Government.	11,733		11,733
Public Works.	71,875		71,875
Culture & Recreation.	16,526		16,526
Unrestricted.	589,844	485,896	1,075,740
Total Net Position.	<u><u>\$1,173,945</u></u>	<u><u>\$3,986,803</u></u>	<u><u>\$5,160,748</u></u>

See Notes to Financial Statements

**Town of Whitehall
Montana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Expenses	---Program Charges for Services	Revenue— Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Net (Expense) Revenue
Functions:							
Governmental Activities							
General Government.	\$84,777	\$16,724			(\$68,053)		(\$68,053)
Public Safety.	129,933		1,306		(128,627)		(128,627)
Public Works.	57,928	5,767	25,041		(27,120)		(27,120)
Public Health.	2,852				(2,852)		(2,852)
Social and Economic Development.					0		0
Culture and Recreation.	98,009	16,858			(81,151)		(81,151)
Interest on Long-term Debt.	1,410				(1,410)		(1,410)
Total Governmental	374,909	39,349	26,347	0	(309,213)	0	(309,213)
Business-type Activities							
Water.	211,201	179,115				(32,086)	(32,086)
Sewer.	167,325	255,349	861,278			949,302	949,302
Solid Waste	64,635	77,001				12,366	12,366
Ambulance.	154,177	29,197				(124,980)	(124,980)
Total Business-type.	597,338	540,662	861,278	0	0	804,602	804,602
TOTAL.	\$972,247	\$580,011	\$887,625	\$0	(\$309,213)	\$804,602	\$495,389
GENERAL REVENUES							
Property Taxes.					140,699		140,699
Local Option Taxes.					55,001		55,001
Licenses and Permits.					6,477		6,477
Unrestricted Federal/State.					157,684		157,684
Unrestricted Grants & Contributions.					65,225		65,225
Unrestricted Investment Earnings.					1,043		1,043
Contributions & Donations.					1,165		1,165
Miscellaneous.					13,934		13,934
Total General Revenues.					441,228	0	441,228
CHANGE IN NET POSITION.					132,015	804,602	936,617
NET POSITION							
Beginning of Year.					1,042,790	3,238,128	4,280,918
Prior Period Adjustment.					(860)	(55,927)	(56,787)
Beginning of Year - restated					1,041,930	3,182,201	4,224,131
End of Year.					\$1,173,945	\$3,986,803	\$5,160,748

See Notes to Financial Statements

**Town of Whitehall
Montana**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

NON MAJOR FUNDS

	General Fund	Other Governmental Funds	Total
ASSETS:			
Cash and Cash Equivalents.....	\$564,935	\$280,845	\$845,780
Petty Cash.....			0
Property Taxes Receivable.....	12,493	3,030	15,523
Protested Taxes.....			0
Accounts Receivable.....	940		940
Restricted Cash and Investments.....	250		250
Total Assets.....	578,618	283,875	862,493
Deferred Outflows of Resources.....	0	0	0
Total Assets and Deferred Outflows of Resources.....	578,618	283,875	862,493
LIABILITIES:			
Accounts Payable.....	54		54
Deposits Payable.....	250		250
Total Liabilities.....	304	0	304
Deferred Inflows of Resources.....	12,493	3,030	15,523
Total Liabilities and Deferred Inflows of Resources.....	12,797	3,030	15,827
FUND BALANCE:			
Non-Spendable			
Corpus of permanent fund.....		147,583	147,583
Restricted			
General Government.....		11,733	11,733
Public Works.....		71,875	71,875
Culture & Recreation.....		16,526	16,526
Debt Service.....		24,628	24,628
Assigned			
Debt Service.....		8,500	8,500
Unassigned.....	565,821		565,821
Total Fund Balance.....	565,821	280,845	846,666
Total Liabilities and Fund Balance.....	\$578,618	\$283,875	\$862,493
RECONCILIATION TO THE STATEMENT OF NET POSITION			
Total fund balance from above.....			\$846,666
Net capital assets.....			493,201
Deferred inflow of resources.....			15,523
Less liabilities not reported above:			
Compensated absences.....			
Notes Long Term Debt.....			(181,445)
Net Position.....			\$1,173,945

See Notes to Financial Statements

Town of Whitehall
Montana
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
MAJOR FUNDS NON MAJOR FUNDS

	General Fund	Other Governmental Funds	Total
REVENUES:			
Property Taxes	\$165,858	\$28,370	\$194,228
Licenses and Permits	8,096		8,096
Intergovernmental Revenue.....	224,965	24,291	249,256
Charges for Services	3,808	15,877	19,685
Fines and Forfeitures.....	14,731		14,731
Miscellaneous.....	11,910	3,189	15,099
Investment Earnings.....	1,043	3,314	4,357
Total Revenues.....	430,411	75,041	505,452
EXPENDITURES:			
General Government	79,747		79,747
Public Safety.....	112,414		112,414
Public Works	55,088		55,088
Public Health	2,852		2,852
Culture and Recreation.....	57,635	25,718	83,353
Debt Service			
Principal.....	9,412	14,024	23,436
Interest.....		1,410	1,410
Capital Outlay	11,767		11,767
Total Expenditures.....	328,915	41,152	370,067
OTHER FINANCING SOURCES (USES)			
In.....		29,418	29,418
Out.....	(12,680)	(16,738)	(29,418)
Total Other Financing.....	(12,680)	12,680	0
Excess (Deficiency) or Revenues Over Expenditures And Transfers.....	88,816	46,569	135,385
FUND BALANCE			
Beginning of the Year.....	477,005	234,276	711,281
End of the Year.....	\$565,821	\$280,845	\$846,666

See Notes to Financial Statements

**Town of Whitehall
Montana**

**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, 2013

Net change in fund balances -total governmental funds	\$135,385
Governmental funds report capital outlays as expenditures, governmental activities report depreciation expense to allocate those expenditures over life of assets:	
Capital assets purchased	11,767
Depreciation expense	(40,045)
In the Statement of Activities, revenues that do not provide current financial resources are not reported as revenues in the funds:	
Long term receivables (deferred inflows)	1,471
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long term debt in the Statement of Net Position:	
Long-term debt principal payments	23,436
Rounding	<u>1</u>
Change in Net Position in Governmental Activities	<u><u>\$132,015</u></u>

See Notes to Financial Statements

**Town of Whitehall
Montana
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

Enterprise Funds

	Water	Sewer	Solid Waste	Ambulance	Total
ASSETS:					
Cash and Cash Equivalents.....	\$37,516	\$318,264	\$11,387	\$47,772	\$414,939
Accounts Receivable.	\$18,793	\$29,853	\$8,947	29,293	86,886
Total Current Assets.	56,309	348,117	20,334	77,065	501,825
NON-CURRENT ASSETS:					
Restricted					
Cash.	5,900	122,657		22,852	151,409
Capital Assets:					
Land.	6,877	703,280			710,157
Construction in Progress.	31,570	3,980,864			4,012,434
Capital Assets Net of Depreciation.	1,216,223	207,202	1,565	588,473	2,013,463
Total Non-Current Assets.	1,260,570	5,014,003	1,565	611,325	6,887,463
Total Assets.	1,316,879	5,362,120	21,899	688,390	7,389,288
CURRENT LIABILITIES:					
Accounts Payable.		55		24	79
Long Term Capital Liabilities.	6,397	44,769		10,778	61,944
Compensated Absences.	3,594	2,508	1,605	146	7,853
Total Current Liabilities.	9,991	47,332	1,605	10,948	69,876
NON-CURRENT LIABILITIES:					
Long Term Capital Liabilities.	44,284	2,936,905		343,423	3,324,612
Compensated Absences.	3,594	2,652	1,605	146	7,997
Total Non-current Liabilities.	47,878	2,939,557	1,605	343,569	3,332,609
Total Liabilities.	57,869	2,986,889	3,210	354,517	3,402,485
NET POSITION.	\$1,259,010	\$2,375,231	\$18,689	\$333,873	\$3,986,803

See Notes to Financial Statements

**Town of Whitehall
Montana
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the Year Ended June 30, 2013**

	Enterprise Funds				
	Water	Sewer	Solid Waste	Ambulance	Total
Operating Revenues					
Charges for Services.....	179,115	255,350	77,000	16,237	527,702
Miscellaneous Revenues.....		8		12,960	12,968
Total Operating Revenues. . .	179,115	255,358	77,000	29,197	540,670
Operating Expense					
Personal Services.	68,673	57,663	41,701	36,330	204,367
Supplies.	18,514	6,715	6,551	34,518	66,298
Purchased Services.....	53,895	32,191	12,083	27,936	126,105
Fixed Charges.	3,326	3,326	4,076	3,326	14,054
Depreciation.....	62,525	17,507	224	38,649	118,905
Total Operating Expense.....	206,933	117,402	64,635	140,759	529,729
Total Operating Income. . . .	(27,818)	137,956	12,365	(111,562)	10,941
Non-Operating					
Debt Service Interest Expense.	(4,268)	(49,923)		(13,418)	(67,609)
Total Non-Operating.	(4,268)	(49,923)	0	(13,418)	(67,609)
TOTAL NET INCOME.....	(32,086)	88,033	12,365	(124,980)	(56,668)
Capital Contributions.		861,270			861,270
CHANGE IN NET POSITION. . . .	(32,086)	949,303	12,365	(124,980)	804,602
NET POSITION					
Beginning of the Year.	1,292,489	1,429,400	60,883	455,356	3,238,128
Prior Period Adjustment.....	(1,394)	(3,471)	(54,559)	3,497	(55,927)
Beginning of the Year- Restated.	1,291,095	1,425,929	6,324	458,853	3,182,201
End of the Year.	\$1,259,009	\$2,375,232	\$18,689	\$333,873	\$3,986,803

See Notes to Financial Statements

**Town of Whitehall
Montana
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the Year Ended June 30, 2013**

	Enterprise Funds				
	Water	Sewer	Solid Waste	Ambulance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	179,127	255,392	77,267	72,236	584,022
Cash paid to suppliers	(75,734)	(42,232)	(25,237)	(65,781)	(208,984)
Cash paid to employees	(67,597)	(56,819)	(40,643)	(36,966)	(202,025)
Net cash (used) provided by operating activities	35,796	156,341	11,387	(30,511)	173,013
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from (to) other funds	2,527				2,527
Net cash provided (used) by noncapital financing	2,527	0	0	0	2,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from debt		4,761,361			4,761,361
Purchases/acquisition/construction of capital assets		(2,616,259)		(4,876)	(2,621,135)
Principal on debt	(50,412)	(3,018,326)		(8,419)	(3,077,157)
Interest paid on debt	(4,268)	(49,923)		(13,418)	(67,609)
Proceeds from intergovernmental capital grants		861,270			861,270
Net cash used by capital and related financing activities	(54,680)	(61,877)	0	(26,713)	(143,270)
Net (decrease) in cash	(16,357)	94,464	11,387	(57,224)	32,270
Balance July 1	59,772	346,458	0	127,848	534,078
Balance June 30	\$43,415	\$440,922	\$11,387	\$70,624	\$566,348
Reconciliation of operating income (loss) to cash provided by operations					
Operating income	(27,818)	137,955	12,365	(111,562)	10,940
Adjustments to reconcile					
Depreciation expense	62,525	17,507	224	38,649	118,905
(Increase) decrease in accounts receivable	12	35	267	43,040	43,354
Increase (decrease) in accounts payable			(2,527)		(2,527)
Increase (decrease) in compensated absences pay	1,077	844	1,058	(638)	2,341
Net cash provided by operations	\$35,796	\$156,341	\$11,387	(\$30,511)	\$173,013

See Notes to Financial Statements

**Town of Whitehall
Montana
STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
As of and for the Year Ended June 30, 2013**

FIDUCIARY NET POSITION

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and Cash Equivalents.	\$90,138	\$143,112
Property Taxes Receivable.		
Total Assets.	90,138	143,112
LIABILITIES		
Warrants Payable.	0	141,366
Due to Other Governments.	0	1,746
Total Liabilities.	0	143,112
NET POSITION		
Held in Trust	\$90,138	

CHANGES IN FIDUCIARY NET POSITION

Additions		
Charges for Services.	15,401	
Contributions & Donations.	27,184	
Private Grants.	15,000	
Investment Earnings.	29	
Total Additions.	57,614	
Deductions		
Operating Supplies.	20	
Professional Services.	3,887	
Total Deductions.	3,907	
CHANGE IN NET POSITION HELD IN TRUST.	53,707	
NET POSITION		
BEGINNING.	36,431	
ENDING.	\$90,138	

See Notes to Financial Statements

**Town of Whitehall
Montana**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

TABLE OF CONTENTS

<u>Note</u>	<u>Page</u>
Summary of Significant Accounting Policies:	
Reporting Entity.	1A 15
Basis of Presentation and Basis of Accounting.	1B 15-18
Specific Accounting Policies:	
Property Taxes.	1C 18
Cash and Investments.	1D 19
Inventories.	1E 19
Compensated Absences.	1F 19
Capital Assets.	1G 20
Use of Estimates.	1H 20
Deferred Inflow/Outflow of Resources.	1I 20
Implementation of New GASB Statements.	2 21
Cash and Investments.	3 22
Capital Assets.	4 23-24
Long Term Debt.	5 25
Pension and Retirement Plans.	6 25
Risk Management.	7 26
Other Post Employment Benefits.	8 26
Commitment.	9 26
Prior Period Adjustments.	10 26
Fund Balance/Net Position Disclosures.	11 27

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Town of Whitehall is governed by an elected Town Council and is considered an independent governmental organization. The accompanying financial statements include the activities of the Town controlled by the Town Council. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the Town is considered to be an independent reporting entity and has no component units.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the Town with the exception of funds held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments and or other funds.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type activities which are reported separately. The activities of the Town are generally financed through property taxes, user fees, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Town does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily charges for services) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

The Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - These statements provide information about the Town's funds, including a separate statement for the Town's fiduciary funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column in the governmental fund statements. All of the remaining funds are aggregated and reported in a single column as non-major funds.

Governmental Funds

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected during the year or soon after year-end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred inflow of resources are recorded in governmental funds for these receivables. Property tax levies for the subsequent fiscal year are recorded as property tax receivables because they become a lien on real property as of January 1. Because these taxes are levied for the subsequent fiscal year, they are offset by deferred inflows.

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. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of the Town's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the Town applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Government Accounting Standards Board Statement No. 34 (GASB 34) requires that the general fund be reported as a major fund and that all other governmental funds whose assets & deferred inflow of resources, liabilities & deferred outflow of resources, revenues, or expenditures exceed 10% or more of the total for all governmental funds and 5% of all funds.

Accordingly, the Town reports the following major governmental funds:

General fund

This is the Town's primary operating fund which accounts for all financial resources of the Town except those required to be accounted for in other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the determination of net income is necessary or useful for sound financial administration. The Town has four major Enterprise Funds determined as explained earlier:

Solid Waste Fund

This fund is used to account for landfill services provided to residential and commercial users of the Town.

Sewer Fund

This fund accounts for revenues and expenses related to the operation of the Town sewer services.

Water Fund

This fund is used to account for the revenues and expenses related to the operation of the Town Water services.

Ambulance

This fund is used to account for revenues and expenses related to the operation of the Town Ambulance Services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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. 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 Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. The general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting and consist of the following:

Agency Funds

The Town has included warrant clearing funds.

Private Purpose Trust Fund

These funds are used to account for resources legally held in trust for use by another government, individual, or organization as identified by the donor. The use of these funds may be restricted to only the interest earned on the investment of the principal or the entire amount may be used in accordance with the terms of the donor.

Permanent Funds

These funds are used to account for certain funds held in trust capacity wherein the principal balance of the trust cannot be expended, only the interest earned on the investment of such funds. Permanent funds are presented as other governmental in the fund financial statements, not as fiduciary funds.

C. Property Taxes

Property tax levies are approved on or before the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue. Real property (and certain attached personal property) taxes are billed in October and are due in equal amounts on November 30 and the following May 31. After those dates they become delinquent (and a lien upon the property). After three years the Town may exercise the lien and take title to the property. Personal property taxes (other than those billed with real estate) are generally billed in May or June and are normally due thirty days after billing.

State law limits the number of mills the Town can levy to the amount of property tax dollars levied in the prior fiscal year plus amounts related to the taxable value for the annexation of real property, new construction and improvements, debt service, and certain other exceptions. Additionally, the mill levy limits can be exceeded for one year in the event that an emergency levy is required, or if additional mills are approved by the vote of the Town electorate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

Cash resources, to the extent available, of the individual funds are combined to form an investment pool, which is managed by the Town Treasurer. Investments of pooled cash, which are authorized by state law, consist primarily of demand deposits and non-negotiable certificates of deposit.

The Town reports most investments at historical cost.

E. Inventories

Inventories are considered inconsequential and are not presented.

F. Compensated Absences

Town employees earn vacation and sick leave as required by State law. Up to two years of accumulated vacation leave and 25% of accumulated sick leave is payable to the employee on termination.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. **Capital Assets**

Capital assets are carried at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Major additions and betterments with a cost in excess of \$ 5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized.

Depreciation on assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Land improvements.	10 - 25 years
Buildings and Improvements.	5 - 50 years
Machinery and Equipment.	3 - 40 years

Generally accepted accounting principles require the recording of public domain (infrastructure) assets, consisting of roads, bridges, and similar assets. GASB Statement No. 34 requires the prospective reporting of infrastructure; however, for a government the size of the Town, Statement No. 34 encourages, but does not require, the retroactive reporting of infrastructure assets. New construction is capitalized.

H. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 the estimates. An example is estimated depreciation.

I. **Deferred Inflow/Outflow of Resources**

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

2. IMPLEMENTATION OF NEW GASB STATEMENTS

Beginning in fiscal year 2013 the Town implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 61 “*The Financial Reporting Entity: Omnibus*” - which modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of early implementing this statement, the Town was not required to change the classification of its reporting entities.

GASB Statement 62 “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*” - this statement improves financial reporting by continuing to codify sources of generally accepted accounting principles for state and local governments so that they derive from a single source. As a result of implementing this statement, the Town was not required to change the reporting of current or past transactions.

GASB Statement 63 “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” - providing guidance for the reporting of deferred outflows, deferred inflows and identifies net position as the residual of all other elements presented in a statement of financial position. As a result of implementing this statement, the computation of equity of the Statement of Net Position was changed and equity was retitled as “net position”.

GASB Statement 65 “*Items Previously Reported as Assets and Liabilities*” - clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures. As a result of early implementing this statement, the Town changed the classification of certain liabilities to deferred inflows. There were no other effects on the financial statements of implementing this statement.

3. CASH AND INVESTMENTS

Cash on hand represents petty cash, change, and checking accounts controlled by the Town of Whitehall Treasurer as well as un-deposited collections of the Treasurer on June 30, 2013.

GASB 40 Disclosures:

The Town does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments. Investment risk disclosures are described in the following paragraphs:

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. governments are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At June 30, 2013 all Town deposits were insured by the FDIC, to the extent of available coverage.

Cash held pursuant to bond indentures is accounted for as restricted assets.

Montana statutes (MCA 7-6-207(1)) allow the Town to obtain securities for the uninsured portion of the deposits equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or the securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. State statutes do not specify in whose custody or name the collateral is to be held.

Notes to Financial Statements (continued)

4. CAPITAL ASSETS

Changes in Capital Assets were as follows:

	GOVERNMENTAL FUNDS				Balance June 30, 2013
	Balance	Additions	Deletions	Adjustments	
	July 1, 2012				
Capital Assets not being depreciated:					
Land.	\$29,818				\$29,818
Total Capital Assets not being depreciated.	29,818	0	0	0	29,818
Capital Assets being depreciated					
Buildings.	103,455				103,455
Improvements.	318,892	11,767			330,659
Machinery and Equipment.	421,423				421,423
Infrastructure.					0
Total Capital Assets being depreciated. . . .	843,770	11,767	0	0	855,537
Less Accumulated Depreciation for:					
Buildings.	(56,575)	(5,297)		(254)	(62,126)
Improvements.	(86,968)	(15,062)		(436)	(102,466)
Machinery and Equipment.	(207,706)	(19,686)		(170)	(227,562)
Infrastructure.					0
Total.	(351,249)	(40,045)	0	(860)	(392,154)
Net Capital Assets being depreciated.	492,521	(28,278)	0	(860)	463,383
Governmental activities capital assets net. .	522,339	(28,278)	0	(860)	493,201

Notes to Financial Statements (continued)

4. CAPITAL ASSETS -(Continued)

BUSINESS-TYPE FUNDS

	Balance				Balance
	July 1, 2012	Additions	Deletions	Adjustments	June 30, 2013
Capital Assets not being depreciated:					
Land.	\$710,157				\$710,157
Construction in Progress.	1,396,176	\$2,616,259			4,012,435
Total Capital Assets not being depreciated	2,106,333	2,616,259	0	0	4,722,592
Capital Assets being depreciated					
Buildings.	579,371				579,371
Improvements.	8,945				8,945
Machinery and Equipment.	687,226	4,877			692,103
Source of Supply.	551,288				551,288
Treatment Plant.	430,479				430,479
Transmission & Distribution.	2,375,377				2,375,377
Total Capital Assets being depreciated. . .	4,632,686	4,877	0	0	4,637,563
Total Assets.	\$6,739,019	\$2,621,136	\$0	\$0	\$9,360,155
Less Accumulated Depreciation for:					
Buildings.	(27,938)	(22,299)		(39,068)	(89,305)
Improvements.	(1,492)	(894)		(297)	(2,683)
Machinery and Equipment.	(422,300)	(26,865)		(45,855)	(495,020)
Source of Supply.	(209,470)	(12,838)		1	(222,307)
Treatment Plant.	(244,726)	(10,762)		(2,800)	(258,288)
Transmission & Distribution.	(1,514,048)	(45,247)		2,798	(1,556,497)
Total.	(2,419,974)	(118,905)	0	(85,221)	(2,624,100)
Net Capital Assets being depreciated. . . .	2,212,712	(114,028)	0	(131,374)	1,967,310
Business-type activities capital assets net.	\$4,319,045	\$2,502,231	\$0	(\$131,374)	\$6,689,902

Depreciation expense was charged to functions as follows:

	2013
Governmental Activities:	
General Government.	\$5,030
Public Safety.	17,519
Public Works.	2,840
Public Health.	
Social and Economic Development.	
Culture and Recreation.	14,656
Total depreciation expense - governmental activities.	<u>\$40,045</u>
Business Activities:	
Water.	\$62,525
Sewer.	\$17,507
Solid Waste.	\$224
Ambulance.	38,649
Total depreciation expense - business activities.	<u>\$118,905</u>

Notes to Financial Statements (continued)

5. LONG-TERM DEBT

Changes in general long-term debt were as follows:

	Balance June 30, 2012	Additions	Payments and Other Charges and Adjustments	Balance June 30, 2013
Fire Truck - Intercap	\$116,497		(\$14,138)	\$102,359
Swimming Pool	86,000		(9,298)	76,702
Misc. adjustments			(114)	-114
Total	202,497	0	(23,550)	178,947
Business-type				
Water Fund				
1992 Water	45,000		(45,000)	0
1998 Water	24,598		(2,507)	22,091
Generator	31,570		(2,981)	28,589
Sewer project - RD	1,238,639		(1,238,639)	0
Ambulance - RD	119,494		(1,550)	117,944
Ambulance - RMB	243,126		(6,092)	237,034
2013 Sewer Bond - RD		3,000,000		3,000,000
Total	1,702,427	3,000,000	(1,296,769)	3,405,658
Total	\$1,904,924	\$3,000,000	(1,320,319)	\$3,584,605
Compensated Absences				
Business-type	13,508	2,342		15,850
Governmental	2,498			2,498
	\$16,006	\$2,342	0	\$18,348

Amortization is not included.

6. PENSION AND RETIREMENT PLANS

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

The plan issues publicly available financial reports that includes financial statements and supplementary information for the plan. Those reports may be obtained from the following:

Montana Public Employees Retirement Administration
P.O. Box 200131
1712 Ninth Avenue
Helena, Montana 59620-0131
Telephone 406/444-3154

Contribution rates for the plan are required and determined by State law. The 2013 rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	State	Total
MPERS	7.070%	6.900%	0.100%	14.070%

7. RISK MANAGEMENT

The Town faces a number of risks of loss including:

- loss or damage to property
- general liability
- workers' compensation
- employee medical insurance

There were no significant changes in how the Town covered its risks in 2013. The Town manages these risks through a combination of commercial insurance, participation in a risk pool, and self-insurance. Commercial insurance coverage is used to manage risks of loss for all activities except workers' compensation claims.

8. OTHER POST EMPLOYMENT BENEFITS

The Town did not determine the estimated liability for retiree health care cost resulting from the implicit subsidy caused by charging retirees the same premium as active members of the plan. The amount of the liability is unknown.

This affects the government wide financial statements and the statements of the enterprise funds.

9. COMMITMENT

The Town had a sewer upgrade project during the year.

The total budget for the project is \$ 5,300,000 financed by state and federal loans and grants. The project was substantially complete by year end, the certificate of completion was issued November 19, 2012.

10. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made by the Town to correct depreciation calculations from previous periods and an ambulance accounts receivable adjustment from the previous year.

11. FUND BALANCE/NET POSITION DISCLOSURES

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications:

Non-spendable

Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. An example is inventory.

Restricted

Includes fund balances 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

Includes fund balance 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. An example is a resolution by the Town Council.

Assigned

Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The Town Clerk has been designated to assign fund balance.

Unassigned

Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

Additionally the statement addresses fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose.

Town of Whitehall has a general policy that fund balance is restricted for the statutory purpose of a fund or by the grant agreements.

Additionally the Town has a general policy that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Also, with regard to fund type classification, any statutory special revenue fund that has revenue flow that is not restricted to a purpose will be combined with the General fund for reporting purposes. This does not apply to budgetary basis reporting.

**Town of Whitehall
Montana
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL
GENERAL FUND
for the Year ended June 30, 2013**

	General Fund		
	Original Budget	Amended Budget	Actual
REVENUES			
Taxes	\$165,300	\$165,300	\$165,858
Licenses and Permits	7,800	7,800	8,096
Intergovernmental	169,992	169,992	224,965
Charges for Services	2,550	2,550	3,808
Fines and Forfeitures	14,000	14,000	14,731
Interest Earnings	1,000	1,000	1,043
Other	1,450	1,450	11,910
Total Revenues	362,092	362,092	430,411
EXPENDITURES			
Total Expenditures	456,786	456,786	328,915
Excess of Revenues over Expenditures	(94,694)	(94,694)	101,496
Other Financing Sources			
Notes/loans/intercap loans			
Sale of Assets	0	0	0
Transfers In			(12,680)
Transfers Out			
Total Other Financing Sources	0	0	(12,680)
Net change in Fund Balance	(94,694)	(94,694)	88,816
Beginning Fund Balance July 1			477,005
Ending Fund Balance June 30			\$565,821

See notes to the Budget and Actual Schedules

NOTE: State law requires only that total actual expenditures not exceed total budgeted expenditures.

**Town of Whitehall
Montana**

NOTES TO THE BUDGET AND ACTUAL SCHEDULES

For the Year ended June 30, 2013

State law (MCA Title 7, Chapter 6, Part 40) requires the Town to prepare budgets for all funds. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. Amendments to the budget can be made for unanticipated state and federal revenue with the approval of the Town Council.

The Council approves the original budget on or before the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue.

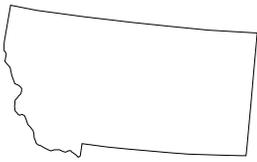
**Supplemental Schedule
Town of Whitehall
Montana**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

Federal Source <i>Pass-Through Source</i> Program Title	CFDA Number	Program Award Amount	Expenditures
DIRECT FUNDING			
ARRA Funding			
U.S. Department of Agriculture- Rural Utilities			
Water and Wastewater Loans	10.781	\$3,000,000	\$1,762,288
Total Direct Funding			<u>1,762,288</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$1,762,288</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1. Basis of Accounting
The Schedule of Expenditures of Federal Awards is prepared essentially on the same basis of accounting as the Town's accounting records.



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

**INDEPENDENT AUDITORS 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**

Town Council Members
Town of Whitehall
Montana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Whitehall, Montana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Whitehall's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting 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 Summary of Findings and Questioned Costs, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Summary of Findings and Questioned Costs to be material weaknesses. (Findings No. 2013-01, 2013-02)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Summary of Findings and Questioned Costs to be significant deficiencies. (Finding No. 2013-03)

Compliance and Other Matters

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

Town of Whitehall's Response to Findings

Town of Whitehall's response to the findings identified in our audit is described in the accompanying Summary of Findings and Questioned Costs. Town of Whitehall'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.

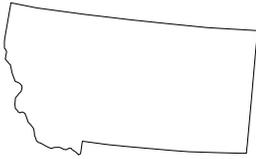
Purpose of this Report

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 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.

December 16, 2014



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Town Council Members
Town of Whitehall
Montana

Report on Compliance for Each Major Federal Program

We have audited the compliance of Town of Whitehall, Montana (the Town) with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect Town of Whitehall's major federal program for the year ended June 30, 2013. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Town of Whitehall complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

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

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

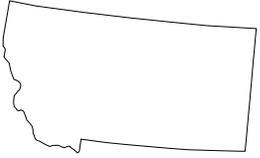
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

December 16, 2014



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.
INDEPENDENT AUDITORS REPORT
SUMMARY OF FINDINGS AND QUESTIONED COSTS

SECTION I SUMMARY OF AUDITORS RESULTS

1. The independent auditors report on the financial statements expressed a qualified opinion.
2. The audit disclosed two material weaknesses and one significant deficiency in internal control over financial reporting.
3. The audit disclosed no material noncompliance matters in relation to the financial statements.
4. There were no deficiencies in internal control over major programs reported during the audit.
5. The report on compliance for major programs expressed an unqualified opinion.
6. The audit disclosed three audit findings that are required to be reported in accordance with section 510(a) of circular A-133.
7. The major program of Town of Whitehall, Montana
was:
CFDA No. 10.781 Water and Wastewater Loans
8. The dollar threshold for Type A programs for Town of Whitehall
was:
\$300,000.
9. The Town did not qualify as a low-risk auditee.

SECTION II FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS INTERNAL CONTROL FINDINGS

MATERIAL WEAKNESSES

2013-01 Other Post Employment Benefits Liability

- Criteria: Governmental Accounting Standards Board Statement No. 45 requires disclosure of Other Post Employment Benefits liability.
- Condition: The Town did not obtain a valuation of the liability associated with other post employment benefits.
- Effect: A qualified audit opinion.
- Cause: Town did not obtain an OPEB valuation.
- Recommendation: That the management of the Town evaluate the situation; the Town's health insurance carrier may have the information.

2013-02 Segregation of Duties

- Criteria: Segregation of duties is essential for internal control.
- Condition: The Town does not have ideal segregation of duties.
- Context: The Town has one employee assigned to the accounting function.
- Effect: Internal control is not optimal.
- Cause: The small staff of the Town does not allow for ideal segregation of duties.
- Recommendation: We recommend the Mayor and City Council take an active role so that compensating controls exist and that the Mayor and City Council monitor the Town's activities.

OF FINDINGS AND QUESTIONED COSTS- Continued
Page 2 of 2

SECTION II FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS - Continued
INTERNAL CONTROL FINDINGS- Continued

SIGNIFICANT DEFICIENCIES
2013-03 Internal Control over Financial Reporting

- Criteria: The Town is required to prepare its financial statements or arrange for their preparation.
- Condition: The Town outsourced the preparation of the financial statements.
- Effect: The financial statements, while not materially misstated, omit certain required information including amortization of debt, understate compensated absences by approximately \$ 3,200, and omit certain footnote information.
- Cause: Not determined.
- Recommendation: That management interact with the preparer and consider having the financial statements reviewed prior to acceptance.

COMPLIANCE FINDINGS- None

OTHER FINDINGS

2013-04 General Internal Controls
Subsequent to year end several of the internal control systems at the Town either changed or ceased to function.
The change came in conjunction with personnel transition.
This comment is included for informational purposes only; however, a thorough review of systems is warranted.
No response is necessary.

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

- 12-01 Internal Control of Financial Reporting**
The Town outsourced this; however, see 2013-03.
- 12-02 Segregation of Duties**
This finding continues, see 2013-02.



December 16, 2014

Ross R. Stalcup
Certified Public Accountant

**Town of Whitehall Montana
Office of the Town Clerk**

County of Jefferson, State of Montana

P.O. Box 529/2 N Whitehall

Whitehall, MT 59759

Phone: 406-287-3972

Fax: 406-287-5088

townofwhitehall@yahoo.com

“This institution is an equal
opportunity provider”

2013-01 Other Post Employment Benefits

The Town presently has one person on health insurance,

so we do not feel that this is presently an issue.

We will contact our insurance provider to see if

it has calculated any liability for the Town.

2013-02 Segregation of Duties

The Town Administrative offices have had an

unusual amount of turnover since June 30, 2013.

We are reviewing our systems, and, considering our size,

are segregating the various functions to the extent possible.

The Mayor takes an active role in daily operations.

2013-03 Financial Reporting

We have out sourced this activity to a different preparer.

We are in communication and will consider having our

Auditors review the statements before acceptance.

2014-04 Internal Controls

We are aware of the situation.

The Town's position on the subject is that this

was caused by employee and mayor turnover.

We are reviewing the situation and impending as necessary.