

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Town of Big Sandy
Chouteau County

June 30, 2014

Town of Big Sandy

June 30, 2014

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Town of Big Sandy

June 30, 2014

ELECTED OFFICIALS

TOWN COUNCIL

Steve Stiles

Mayor

Colby Baumgard

Councilperson

Ted Pursley

Councilperson

Shane Cline

Councilperson

Shaud Schwarzbach

Councilperson

TOWN OFFICIALS

Jim Kaze

Attorney

Wendy Kleinsasser

Clerk/Treasurer

Susan Spencer

Judge

INDEPENDENT AUDITOR'S REPORT

March 20, 2015

The Honorable Mayor and Town Council
Town of Big Sandy
PO Box 381
Big Sandy, MT 59520

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Big Sandy's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 on our consideration of the Town of Big Sandy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Big Sandy's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Billings, Montana

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

The management of the Town of Big Sandy (the Town) presents the following narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. To request a copy of the Town's annual financial report, contact us at 406-378-2350.

FINANCIAL HIGHLIGHTS

- The government-wide assets of the Town exceeded its liabilities by \$4,307,370 at June 30, 2014. This includes governmental activities and business-type activities (utility funds). The unreserved net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$510,855 from the prior year. The increase is attributable to a construction in progress for the sewer upgrade, which is still under construction.
- As of June 30, 2014, the Town's governmental funds reported combined ending fund balance of \$335,590, and an increase of \$83,333 in comparison with the prior year.
- As of June 30, 2014, the unassigned fund balance for the general fund was \$136,879, an increase of \$35,074.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Town'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances using the accrual basis of accounting, in a manner similar to a private-sector business. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The **statement of activities** presents information showing how the Town's net position changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities.). The governmental activities of the Town includes general government, public safety, public works, public health, social and economic services, and culture and recreation.

The government-wide financial statements can be found as referenced in the table of contents.

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

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. With the implementation of GASB 34 the focus is now on major funds rather than fund types. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e., governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds.

For major funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The two major funds reported are the General and Garbage Maintenance funds.

The Town adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all major special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as referenced in the table of contents.

PROPRIETARY FUNDS (BUSINESS FUNDS)

The proprietary funds statements offer short and long-term financial information about the activities the government operates like businesses. The Town maintains two proprietary funds or business funds, which are the water fund and sewer fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each fund. All proprietary funds for the Town are considered to be major funds.

The cash balance of the water fund is \$43,207; which represents a decrease of \$7,506 over the prior year. The cash balance of the sewer funds (including the TSEP, CDBG and RD Accounts) is \$99,573, which represents an increase of \$21,651 over the prior year.

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

The basic proprietary fund financial statements can be found as referenced in the table of contents.

NOTES TO THE FINANCIAL STATEMENTS

To fully understand the data provided in the government-wide and fund financial statements, additional information is provided in the notes to financial statements. The notes to the financial statements can be found as referenced in the table of contents.

OTHER SUPPLEMENTAL INFORMATION

Budgetary comparison schedules can be found as referenced in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table provides a summary of the Town's net position for the current year compared to the prior year.

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	350,889	266,841	375,642	220,592	726,531	487,433
Capital assets	442,440	471,929	6,214,569	4,127,588	6,657,009	4,599,517
Total assets	<u>793,329</u>	<u>738,770</u>	<u>6,590,211</u>	<u>4,348,180</u>	<u>7,383,540</u>	<u>5,086,950</u>
LIABILITIES						
Other current liabilities	71	32	157,396	593,586	157,467	593,618
Noncurrent liabilities	18,269	303	2,900,434	696,514	2,918,703	696,817
Total liabilities	<u>18,340</u>	<u>335</u>	<u>3,057,830</u>	<u>1,290,100</u>	<u>3,076,170</u>	<u>1,290,435</u>
NET POSITION						
Net investment in capital assets	424,564	471,929	3,321,022	2,841,618	3,745,586	3,313,547
Restricted	203,773	149,433	75,970	58,802	279,743	208,235
Unrestricted	146,652	117,073	135,389	157,660	282,041	274,733
Total net position	<u>774,989</u>	<u>738,435</u>	<u>3,532,381</u>	<u>3,058,080</u>	<u>4,307,370</u>	<u>3,796,515</u>

The Town's investment in capital assets (e.g. land, building, equipment, water and wastewater infrastructure), less any related debt used to acquire those assets that is still outstanding is a large portion of the Town's net position. The Town uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although, the Town's investment in its capital is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Town does not capitalize the current streets as they were constructed prior to 1980. The Town plans to capitalize new streets, sidewalks, curbs, gutters and storm drains. Unrestricted assets may be used to meet the government's ongoing obligations to citizens and creditors.

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

Current and other assets include cash, cash equivalents, taxes receivables, accounts receivables, and other receivables.

The Town has a capital lease outstanding in the governmental activities.

The governmental activities have a total net position of \$774,989. In comparison, net position as of June 30, 2013 totaled \$738,435. The unrestricted net position for governmental activities of \$146,052 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net position of the water and sewer utility funds, reported as business-type activities, increased by \$474,301, which is attributable to the sewer project.

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program Revenues:						
Charges for services	7,298	8,825	343,133	284,329	350,431	293,154
Operating grants	28,526	87,060	0	0	28,526	87,060
Capital grants	0	0	512,984	286,855	512,984	286,855
General Revenues:						
Taxes and assessments	172,380	140,143	0	0	172,380	140,143
Licenses and permits	160	60	0	0	160	60
Shared revenues	69,840	56,808	0	0	69,840	56,808
Investment earnings	1,259	2,338	882	1,737	2,141	4,075
Miscellaneous	9,140	21,029	28,150	0	37,290	21,029
Loss on sale of asset	(8,793)	0	0	0	(8,793)	0
	<u>279,810</u>	<u>316,263</u>	<u>885,149</u>	<u>572,921</u>	<u>1,164,959</u>	<u>889,184</u>
Expenses:						
General government	42,157	41,209	0	0	42,157	41,209
Public safety	62,504	61,686	0	0	62,504	61,686
Public works	88,284	75,796	0	0	88,284	75,796
Public health	97	1,496	0	0	97	1,496
Culture & recreation	68,990	67,291	0	0	68,990	67,291
Housing and community	1,224	41,684	0	0	1,224	41,684
Water	0	0	151,086	139,788	151,086	139,788
Sewer	0	0	239,762	199,569	239,762	199,569
	<u>263,256</u>	<u>289,162</u>	<u>390,848</u>	<u>339,357</u>	<u>654,104</u>	<u>628,519</u>
Transfers	20,000	20,000	(20,000)	(20,000)	0	0
Change in net position	<u>36,554</u>	<u>47,101</u>	<u>474,301</u>	<u>213,564</u>	<u>510,855</u>	<u>260,665</u>
Net position, beginning	<u>738,435</u>	<u>691,334</u>	<u>3,058,080</u>	<u>2,844,516</u>	<u>3,796,515</u>	<u>3,535,850</u>
Net position, ending	<u><u>774,989</u></u>	<u><u>738,435</u></u>	<u><u>3,532,381</u></u>	<u><u>3,058,080</u></u>	<u><u>4,307,370</u></u>	<u><u>3,796,515</u></u>

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

GOVERNMENTAL ACTIVITIES

The Town's programs include general government, public safety, public works, public health (i.e. animal control), park and recreation and miscellaneous. Depreciation and capital improvements are included in each function. Each program's net cost (total cost less revenues generated by the activities) is presented below. The table below shows the net cost (financial burden) that was placed on the Town's taxpayers by each of these functions:

Governmental activities:	
General government	42,157
Public safety	61,690
Public works	64,982
Public health	97
Culture and recreation	57,282
Interest on long-term debt	1,224
Total governmental activities	<u>227,432</u>

BUSINESS-TYPE ACTIVITIES

Fiscal year 2014 operating expenses increased by 15% for water and sewer activities.

The water rates are \$26.00 base rate, which includes the first 4,000 gallons, plus \$2.25 per thousand gallons for a residential metered hookup. All water customers are metered.

The revenues of the water utility include charges for services (operating revenues), miscellaneous income and investment income. Charges for services are 100% of revenues received for the water utility.

The current sewer rate structure is \$43.58 base flat rate for all residential rates. This rate will increase to \$59.90 upon completion of the final phase of the wastewater improvement project.

The revenues of the sewer utility include charges for services (operating revenues), investment income, and miscellaneous income. Charges for services are 100% of the operating revenues for the sewer utility.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about the Town's most significant funds – not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (such as grants).

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

Governmental Funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. A description of the relationship or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is provided in the reconciliation reports subsequent to the fund financial statements.

The Town does not have *Internal Service Funds* or *Permanent Funds*.

The Town maintains one *Fiduciary Fund* for the Fireman's Relief Association. This fund receives revenue from intergovernmental funds. The funds are disbursed to the Big Sandy Volunteer Fireman's Relief Association on a monthly basis. The Association has their own governing board.

Proprietary Funds. The Town maintains two proprietary funds also known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for water and sewer operations with the water and sewer funds both being considered major funds. The proprietary funds are dependent on the fees and charges issued to pay for the services. The equipment used to provide the services often require maintenance and repair. These costs, along with the depreciation value, are monitored and recorded with the values being published with the fund's yearly statement. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

General Fund Budgetary Highlights

	<u>Budgeted</u>	<u>Expended</u>
Financial services	18,578	23,392
Elections	1,000	425
Legal services	3,500	1,170
Facilities	28,440	16,308
Police	25,800	25,518
Fire protection	4,000	3,847
Culture and recreation	52,580	47,164
Streets	10,100	5,686
Total	<u>143,998</u>	<u>123,510</u>

Town of Big Sandy

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town's capital assets for its governmental type activities as of June 30, 2014 amounted to \$442,440. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, net of accumulated depreciation. The Town maintains a capital improvement fund for the purpose of replacing and acquiring new assets and reconstruction of infrastructure.

The Town's capital assets for its business-type activities as of June 30, 2014 amount to \$6,214,568.

Long-term debt. At the end of the 2014 fiscal year, the Town's business activities had total bonded debt of \$2,651,546 backed by revenues of water and sewer.

Other obligations include accrued vacation leave and sick leave. Compensated absences are reported as the actual amount accrued as of June 30, 2014. Additional information of the Town's long-term debt can be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget prepared by the Town assures the efficient, effective and economic use of the Town's resources, as well as establishes projects and priorities. Through the budget process, the Mayor and Town Council set the direction of the Town and allocate its resources.

- The Town completed Phase 2 of the Wastewater Improvement Project and began work on Phase 3. The work is currently on winter hiatus and will resume in April 2014.
- The Town continues to contract for Law Enforcement Services with Chouteau County.
- The Town implemented a water and sewer rate increase in January 2013 and will be implementing a second sewer rate increase upon completion of the wastewater project.
- The Town continues to be on water restrictions. The Town's well is unable to produce sufficient water.

In summary, the Town continues to maintain services at a level necessary to provide its citizens an affordable and quality place to live.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Town Clerk, at the Town of Big Sandy, PO Box 381, Big Sandy, MT 59520.

Town of Big Sandy

GOVERNMENT-WIDE STATEMENT OF NET POSITION
as of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	335,661	142,780	478,441
Cash and cash equivalents, restricted	0	75,970	75,970
Taxes and assessments receivable	15,228	0	15,228
Accounts and other receivables	0	38,597	38,597
Due from other governments	0	118,295	118,295
Capital assets, net of accumulated depreciation	432,063	3,425,352	3,857,415
Capital assets, not being depreciated	10,377	2,789,217	2,799,594
Total assets	<u>793,329</u>	<u>6,590,211</u>	<u>7,383,540</u>
LIABILITIES			
Accounts payable and other current liabilities	71	157,396	157,467
Long term liabilities			
Due within one year:			
Capital lease payable	3,887	0	3,887
Loans payable	0	8,000	8,000
Bonds payable	0	35,114	35,114
Due in more than one year:			
Compensated absences	393	6,888	7,281
Capital lease payable	13,989	0	13,989
Loans payable	0	234,000	234,000
Bonds payable	0	2,616,432	2,616,432
Total liabilities	<u>18,340</u>	<u>3,057,830</u>	<u>3,076,170</u>
NET POSITION			
Net investment in capital assets	424,564	3,321,023	3,745,587
Restricted for:			
Public safety	21,173	0	21,173
Public works	105,634	0	105,634
Culture and recreation	27,600	0	27,600
Bond indenture requirements	0	75,970	75,970
Capital projects	49,366	0	49,366
Unrestricted	146,652	135,388	282,040
Total net position	<u><u>774,989</u></u>	<u><u>3,532,381</u></u>	<u><u>4,307,370</u></u>

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

Town of Big Sandy

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended June 30, 2014

	Program Revenues						Total
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
GOVERNMENTAL ACTIVITIES							
General government	42,157	0	0	0	(42,157)	0	(42,157)
Public safety	62,504	90	724	0	(61,690)	0	(61,690)
Public works	88,284	1,500	21,802	0	(64,982)	0	(64,982)
Public health	97	0	0	0	(97)	0	(97)
Culture and recreation	68,990	5,708	6,000	0	(57,282)	0	(57,282)
Interest on long-term debt	1,224	0	0	0	(1,224)	0	(1,224)
Total governmental activities	263,256	7,298	28,526	0	(227,432)	0	(227,432)
BUSINESS-TYPE ACTIVITIES							
Water	151,086	137,743	0	0	0	(13,343)	(13,343)
Sewer	239,762	205,390	0	512,984	0	478,612	478,612
Total business-type activities	390,848	343,133	0	512,984	0	465,269	465,269
Total	654,104	350,431	28,526	512,984	(227,432)	465,269	237,837
General Revenues:							
Property taxes and special assessments					172,380	0	172,380
Licenses and permits					160	0	160
Unrestricted federal and state shared revenues					69,840	0	69,840
Unrestricted investment earnings					1,259	882	2,141
Miscellaneous					9,140	28,150	37,290
Gain (loss) on sale of capital assets					(8,793)	0	(8,793)
Transfers					20,000	(20,000)	0
Total general revenues					263,986	9,032	273,018
Change in net position					36,554	474,301	510,855
Net position, beginning of year					738,435	3,058,080	3,796,515
Net position, end of year					774,989	3,532,381	4,307,370

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

Town of Big Sandy

GOVERNMENTAL FUNDS BALANCE SHEET

as of June 30, 2014

	General Fund	Garbage Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	136,950	24,955	173,756	335,661
Taxes and assessments receivable	10,166	2,020	3,042	15,228
Total assets	147,116	26,975	176,798	350,889
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	71	0	0	71
Total liabilities	71	0	0	71
 Deferred inflows of resources:				
Unavailable tax revenues	10,166	2,020	3,042	15,228
Total deferred inflows of resources	10,166	2,020	3,042	15,228
 Fund balances				
Restricted				
Public Safety	0	0	21,769	21,769
Public works	0	24,955	75,021	99,976
Culture and recreation	0	0	27,600	27,600
Capital projects	0	0	49,366	49,366
Unassigned	136,879	0	0	136,879
Total fund balances	136,879	24,955	173,756	335,590
 Total liabilities, deferred inflows of resources and fund balances	147,116	26,975	176,798	350,889

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

Town of Big Sandy

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**
as of June 30, 2014

Total fund balance, governmental funds	335,590
Amounts reported for governmental activities in the statement of net position differ because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements. The total cost of capital assets not reported above, net of accumulated depreciation.	442,440
Property taxes receivable were assessed this year, but are not available to meet current obligations, and therefore are unavailable in the funds.	15,228
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences.	
Capital lease agreement	(17,876)
Compensated absences	<u>(393)</u>
Net position of governmental activities on the Statement of Net Position	<u><u>774,989</u></u>

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

Town of Big Sandy

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

for the year ended June 30, 2014

	General Fund	Garbage Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	89,998	44,413	37,294	171,705
Licenses and permits	160	0	0	160
Intergovernmental revenues	69,840	0	22,526	92,366
Charges for services	5,708	0	1,500	7,208
Fines and forfeitures	90	0	0	90
Miscellaneous revenues	2,419	1,350	11,371	15,140
Investment and royalty earnings	465	107	687	1,259
Total revenues	168,680	45,870	73,378	287,928
EXPENDITURES				
Current:				
General government	41,294	0	0	41,294
Public safety	29,365	0	23,038	52,403
Public works	5,686	43,611	25,300	74,597
Public health	97	0	0	97
Culture and recreation	47,164	0	4,323	51,487
Debt service - principal	0	0	3,024	3,024
Debt service - interest	0	0	1,224	1,224
Capital outlay	0	0	21,369	21,369
Total expenditures	123,606	43,611	78,278	245,495
Excess (deficiency) of revenues over expenditures	45,074	2,259	(4,900)	42,433
OTHER FINANCING SOURCES (USES)				
Proceeds from loans/leases	0	0	20,900	20,900
Interfund operating transfers in	0	0	34,248	34,248
Interfund operating transfers out	(10,000)	0	(4,248)	(14,248)
Total other financing sources (uses)	(10,000)	0	50,900	40,900
Net change in fund balances	35,074	2,259	46,000	83,333
Fund balances, beginning of year	101,805	22,696	127,756	252,257
Fund balances, end of year	136,879	24,955	173,756	335,590

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

Town of Big Sandy

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

for the year ended June 30, 2014

Total governmental funds change in fund balance	83,333
Amounts reported for governmental activities in the Statement of Activities differ because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays	21,369
Depreciation expense	(42,065)
In the Statement of Activities the loss on the disposal of capital assets is recognized, however the fund financial statements recognize the entire proceeds from the sale of the assets. This is the net book value of the assets which were disposed.	
	(8,793)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:	
Capital lease proceeds	(20,900)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.	
Capital lease and long-term debt principal payments	3,024
Some property taxes will not be collected for several months after the Town's fiscal year end, and therefore are not considered as "available" revenues in the governmental funds, and are instead reported as unavailable tax revenues. They are, however, recorded as revenues in the statement of activities.	
	676
In the Statement of Activities, certain operating expenses including compensated absences (vacations and sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid).	
Change in compensated absences	(90)
Change in net position of governmental activities	<u><u>36,554</u></u>

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

Town of Big Sandy

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

	Water Utility Fund	Sewer Utility Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Pooled cash and investments	43,207	99,573	142,780
Accounts and other receivables	13,861	24,736	38,597
Due from other governments	17,500	100,795	118,295
Total current assets	74,568	225,104	299,672
Noncurrent assets:			
Cash and cash equivalents, restricted	25,189	50,781	75,970
Machinery and equipment	72,609	16,824	89,433
Infrastructure (utility systems)	1,410,656	3,568,872	4,979,528
Accumulated depreciation	(961,049)	(682,560)	(1,643,609)
Construction in progress	0	2,783,857	2,783,857
Land	0	5,360	5,360
Total noncurrent assets	547,405	5,743,134	6,290,539
Total assets	621,973	5,968,238	6,590,211
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	31	157,365	157,396
Bonds payable	0	35,114	35,114
Loans payable	8,000	0	8,000
Total current liabilities	8,031	192,479	200,510
Noncurrent liabilities:			
Bonds payable	0	2,616,432	2,616,432
Loans payable	234,000	0	234,000
Compensated absences	3,444	3,444	6,888
Total noncurrent liabilities	237,444	2,619,876	2,857,320
Total liabilities	245,475	2,812,355	3,057,830
NET POSITION			
Net investment in capital assets	280,216	3,040,807	3,321,023
Restricted:			
Debt service	25,189	15,363	40,552
Replacement reserve	0	30,264	30,264
Maintenance reserve	0	5,154	5,154
Unrestricted	71,093	64,295	135,388
Total net position	376,498	3,155,883	3,532,381

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

Town of Big Sandy

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION**
as of June 30, 2014

	Water Utility Fund	Sewer Utility Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	137,743	205,390	343,133
Miscellaneous revenues	0	10,650	10,650
Total operating revenues	<u>137,743</u>	<u>216,040</u>	<u>353,783</u>
OPERATING EXPENSES			
Personal services	23,752	27,004	50,756
Supplies	31,719	7,748	39,467
Purchased services	51,401	40,671	92,072
Fixed charges	4,951	4,951	9,902
Depreciation	32,389	94,097	126,486
Total operating expenses	<u>144,212</u>	<u>174,471</u>	<u>318,683</u>
Operating income (loss)	(6,469)	41,569	35,100
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	17,500	512,984	530,484
Investment and royalty earnings	334	548	882
Debt services interest expense	(6,874)	(65,291)	(72,165)
Total nonoperating revenues (expenses)	<u>10,960</u>	<u>448,241</u>	<u>459,201</u>
Income (loss) before transfers	4,491	489,810	494,301
Transfers in (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(20,000)</u>
Change in net position	(5,509)	479,810	474,301
Net position, beginning of year	382,007	2,676,073	3,058,080
Net position, end of year	<u><u>376,498</u></u>	<u><u>3,155,883</u></u>	<u><u>3,532,381</u></u>

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

Town of Big Sandy

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
as of June 30, 2014

	Water Utility Fund	Sewer Utility Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATIONS			
Cash received from customers	138,058	210,283	348,341
Cash paid to:			
Suppliers and other vendors	(88,055)	(397,576)	(485,631)
Employees	(22,375)	(25,625)	(48,000)
Net cash from operating activities	27,628	(212,918)	(185,290)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(10,000)	(10,000)	(20,000)
Net cash from noncapital financing activities	(10,000)	(10,000)	(20,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the issuance of debt	0	2,219,167	2,219,167
Proceeds from capital grants	0	412,190	412,190
Purchases/acquisitions/construction of capital assets	0	(2,213,466)	(2,213,466)
Principal paid on debt	(16,000)	(94,005)	(110,005)
Payments for interest on debt	(6,874)	(65,291)	(72,165)
Net cash from financing activities	(22,874)	258,595	235,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	334	548	882
Net cash from investing activities	334	548	882
Net change in cash	(4,912)	36,225	31,313
Cash balance, beginning of year	73,308	114,129	187,437
Cash balance, end of year	68,396	150,354	218,750

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

Town of Big Sandy

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
as of June 30, 2014

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total Proprietary Funds</u>
Operating income (loss)	(6,469)	41,569	35,100
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	32,389	94,097	126,486
(Increase) decrease in receivables	314	(5,758)	(5,444)
Increase in Due from other government		0	0
Increase (decrease) in accounts payable	15	(344,205)	(344,190)
Increase in compensated absences pay.	1,379	1,379	2,758
Total adjustments	<u>34,097</u>	<u>(254,487)</u>	<u>(220,390)</u>
Net cash from operating activities	<u><u>27,628</u></u>	<u><u>(212,918)</u></u>	<u><u>(185,290)</u></u>

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

Town of Big Sandy

**FIDUCIARY FUNDS STATEMENT OF NET POSITION AND
CHANGES IN NET POSITION**
as of and for the year ended June 30, 2014

FIDUCIARY FUNDS STATEMENT OF NET POSITION

	Private Purpose Trust Fund
ASSETS	
Pooled cash and investments	57,880
Total assets	<u>57,880</u>
NET POSITION	
Net position held in trust for participants	<u>57,880</u>

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION

	Private Purpose Trust Fund
ADDITIONS	
Fines and forfeitures	20
Investment earnings	191
Total additions	<u>211</u>
DEDUCTIONS	
Administrative expenses	2,300
Total deductions	<u>2,300</u>
Change in net position held in trust	(2,089)
Net position held in trust for participants, beginning of year	<u>59,969</u>
Net position held in trust for participants, end of year	<u>57,880</u>

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

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Big Sandy (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below:

1. Reporting entity. The Town is a political subdivision of the State of Montana and operates under an elected Mayor-Council form of government.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. The criteria include appointing a majority of an organization's governing body, and (1) the ability of the Town to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town.

2. Government-wide financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of material inter-fund 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 program or function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

3. Fund financial statements. The Town uses funds to report on its financial position and results of its operations. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, sets forth criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

4. Fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into separate fund types as follows:

Governmental Funds: Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is on the sources, uses and balance of current financial resources. Governmental fund types are those funds through which most governmental functions typically are financed and consist of the general fund, special revenue funds, debt service funds, and capital projects funds.

The following comprise the Town's major governmental funds:

General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Garbage Fund is a special revenue fund used to account for costs related to collection of disposable waste and is funded by specific tax levy dollars and various outside earned revenues.

Proprietary Funds: Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net position.

The following comprise the Town's major proprietary funds:

Water Utility Fund is a utility service fund used to account for costs related to the water treatment and water supply of the Town and is funded by service charges for the utility service.

Sewer Utility Fund is a utility service fund used to account for costs related to the maintenance of the sewer system of the Town and is funded by service charges for the utility service.

Fiduciary Funds: Fiduciary funds are used to report assets held in trustee capacity for others and are therefore not available to support City programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The Town's fiduciary funds are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position by type (private purpose). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

5. Measurement focus and basis of accounting. The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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, while grants and similar items are recognized as revenue upon grantor eligibility requirements being met. Generally, the effect of material inter-fund activity has been removed.

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 Town 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.

The Town recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue and charges for services. 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 financing sources.

The Town reports advances from grantors as liabilities on the government-wide Statement of Net Position and on its Governmental Funds Balance Sheet. The Town also reports deferred inflows of resources resulting from unavailable tax revenues on its Governmental Funds Balance Sheet. These amounts arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period or when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability and deferred inflow are removed from the balance sheet and revenue is recognized.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions and 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.

6. Cash and pooled investments. Except where otherwise required, the Town maintains all deposits in bank and investment accounts in the name of the Town. These deposits are invested on a short term basis with interest income being recorded in the General Fund, except for interest income allocated to enterprise funds and where specifically required by law to be recorded in other funds. The balance reported in each fund represents an equity interest in the commingled pool of cash, which is under the management of the Town Clerk. The provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Town has stated investments at cost, which approximates the fair value.

Cash and investments may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State of Montana Short-Term Investment Pool (STIP); direct obligations of the United States Government and securities issued by agencies of the United States; repurchase agreements; and registered warrants.

7. Property taxes receivable. Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. The current taxes receivable represents the levy based on the assessed valuations as of January 1 for all real property located in the Town. Taxes are normally billed in October and payable in two installments on November 30 and May 31.

Delinquent real property taxes attach as a lien on the property as of January 1. Personal property taxes are assessed and billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based upon levies set during August of the prior year. These taxes become delinquent thirty days after billing. Delinquent personal property taxes may become a lien on the property of the owner of the personal property. Property taxes receivable at June 30, 2014 consist primarily of delinquent property taxes from prior years' levies and are offset by deferred revenue in the fund financial statements. The Town does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Taxes and assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. Real property on which taxes and assessments remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

8. Inventories. In the governmental funds the costs of inventory are recorded as expenditures when incurred; inventories are accounted for using the purchases method. The year-end value of inventory is recorded as an asset and, because the asset is not available for other discretionary expenditures, it is recorded as nonspendable fund balance. Under the purchases method the change in inventory from year to year is recorded as a change in the beginning fund balance. At the government-wide level the inventory must be reported on the consumption method, thus there is a reconciling item for inventory change between reporting levels. Inventory value is determined by using the average cost method. The valuation assigned to inventories at June 30, 2014 was not, however, considered material.
9. Capital assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. If no historical records exist, capital assets are recorded at estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during construction is not capitalized. The Town has chosen to only record infrastructure assets on a prospective basis beginning July 1, 2003. Minimum cost for capitalization and estimated useful lives have not been established for infrastructure assets and depreciation expense has not been recorded for the current year additions, which is immaterial to the basic financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, improvements and equipment assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	25-50
Machinery and equipment	5-20
Sewer Lines and Pump Stations	5-50

10. Deferred inflows of resources. In addition to liabilities, the Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This is a separate financial statement element representing an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. Unavailable tax revenue is the only item the Town has of this type. Accordingly, unavailable tax revenues, which only arise under the modified accrual basis of accounting, are reported as deferred inflows of resources on the Governmental Funds Balance Sheet. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.
11. Interfund transactions. Transactions among Town funds that would be treated as revenues and expenditures or expenses if they involved organizations external to Town government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

12. Warrants payable. The Town pays its claims by issuing a warrant ordering the Town Treasurer to pay for the warrant upon presentation. Warrants issued but not presented for payment are deducted from cash and amounted to \$78,437 at June 30, 2014.
13. Compensated absences. Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Upon death or retirement, the total accumulated hours for vacation leave and 25% of the total accumulated hours for sick leave, is paid at the then effective hourly rate for that employee. For governmental and proprietary fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.
14. Long-term obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.
15. Fund balances. The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In the governmental fund financial statements, fund balances are reported in five classifications:

Nonspendable: Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted: Amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed: Amounts that can be used only for the specific purposes determined by a resolution (formal action) of the Board of Town Commissioners (the Town's highest level of decision making authority) and does not lapse at year end.

Assigned: Amounts intended to be used by the government for specific purposes, under the direction of the Town Clerk and Recorder by authority granted by the Board of Town Commissioners, but do not meet the criteria to classified as restricted or committed.

Unassigned: The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

It is the Town's policy, for purposes of fund balance classification, when restricted, committed, assigned or unassigned funds are available, expenditures will first be made from restricted, then from committed, then from assigned and lastly from unassigned fund balances

16. Net position. Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in net investment in capital assets. Net position is reported as restricted when there are limitations imposed in the use of assets through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations or other governments reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability, if the liability will be liquidated with the restricted assets reported. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
17. Risk management. The Town is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) worker's compensation (e.g. employee injuries) and (6) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liabilities. Given the lack of coverage available, the Town has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for the property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.
18. Proprietary Funds Operating Income (Loss). The proprietary funds Statement of Revenues, Expenses and Changes in Net Position includes operating income (loss). Changes in net position which are excluded from operating income (loss) include interest income and capital contributions.
19. Proprietary Funds Cash and Cash Equivalents. For purposes of reporting the proprietary funds Statement of Cash Flows, the Town considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
20. Management estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Actual results could vary from the estimates that were used.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

NOTE B CASH AND INVESTMENTS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Town has stated investments at cost, which approximates the fair value.

The composition of cash and investments on June 30, 2014, was as follows:

	<u>Fair Value</u>
Cash on hand	50
Cash in banks:	
Demand deposits	409,973
Time deposits	<u>275,712</u>
Total	<u><u>685,735</u></u>

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Per Montana law 7-6-207, the local governing body may require security only for that portion of the deposits that is not guaranteed or insured according to law and, as to the unguaranteed or uninsured portion, to the extent of 50% of the deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more. As of June 30, 2014 the government’s balances were exposed to custodial credit risk as follows:

At June 30, 2014, the Town had \$685,735 deposited at the bank. The balance was fully insured with FDIC or collateralized by pledged securities held by pledging financial institution.

NOTE C PROPERTY TAXES

The Town’s real property tax is levied on the assessed value listed as of January 1 for all real property located within the Town. Assessed values are established by the Montana Department of Revenue based on market value base. A reevaluation of all property is required to be completed on a periodic basis. Taxable value is defined by a State statute as a fixed percentage of assessed value. The Town is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The tax levies for the year ended June 30, 2014 were within the legal limits.

The tax levies for the fiscal year ending June 30, 2014 were based on the taxable values of \$482,713 as of January 1, 2013. All property taxes are recognized in compliance with GASB Interpretation “Property Tax Revenue Recognition in Government Funds,” which states that such revenue is recorded when it becomes measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	10,377	0	0	10,377
Total capital assets not being depreciated	10,377	0	0	10,377
<i>Capital assets being depreciated</i>				
Building & improvements	814,823	0	0	814,823
Improvements other than buildings	284,616	0	0	284,616
Machinery & equipment	528,854	21,369	(29,650)	520,573
Total capital assets being depreciated	1,628,293	21,369	(29,650)	1,620,012
Less accumulated depreciation				
Building & improvements	611,912	9,376	0	621,288
Improvements other than buildings	105,962	13,219	0	119,181
Machinery & equipment	448,867	19,470	(20,857)	447,480
Total accumulated depreciation	1,166,741	42,065	(20,857)	1,187,949
Total capital assets being depreciated, net	461,552	(20,696)	(8,793)	432,063
Total governmental activities capital assets, net	471,929			442,440
Business-type Activities				
<i>Capital assets not being depreciated</i>				
Land	5,360	0	0	5,360
Construction in progress	1,157,648	2,213,466	587,257	2,783,857
Total capital assets not being depreciated	1,163,008	2,213,466	587,257	2,789,217
<i>Capital assets being depreciated</i>				
Machinery and equipment	115,677	0	(26,244)	89,433
Source of supply	186,852	0	0	186,852
Pumping plant	219,019	0	0	219,019
Treatment plant	782,875	0	0	782,875
Transmission and distribution	3,203,525	587,257	0	3,790,782
Total capital assets being depreciated	4,507,948	587,257	(26,244)	5,068,961
Less accumulated depreciation				
Machinery and equipment	115,677	0	(26,244)	89,433
Source of supply	186,852	0	0	186,852
Pumping plant	44,332	9,750	0	54,082
Treatment plant	497,399	22,042	0	519,441
Transmission and distribution	699,107	94,694	0	793,801
Total accumulated depreciation	1,543,367	126,486	(26,244)	1,643,609
Total capital assets being depreciated, net	2,964,581	460,771	0	3,425,352
Total business-type activities capital assets, net	4,127,589			6,214,569
Total capital assets, net	4,599,518			6,657,009

Depreciation expense was allocated to functions as follows:

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

Governmental Activities	
General government	300
Public safety	10,100
Public works	14,161
Culture and recreation	17,504
Total Governmental Activities	42,065
Business-type Activities	
Water	32,389
Sewer	94,097
Total Business-type Activities	126,486
Total Depreciation	168,551

NOTE E NON-CURRENT LIABILITIES

Non-current liability balances and activity for the year ended June 30, 2014 were as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Governmental activities:					
Compensated absences payable	303	90	0	393	0
Capital lease payable	0	20,900	3,024	17,876	3,887
Total governmental activities	303	20,990	3,024	18,269	3,887
Business-type activities:					
Revenue bonds	455,384	2,219,167	23,005	2,651,546	35,114
Notes payable	329,000	0	87,000	242,000	8,000
Compensated absences payable	4,130	2,758	0	6,888	0
Total business-type activities	788,514	2,221,925	110,005	2,900,434	43,114

The current portion of compensated absences has not been separately stated due to the indeterminate nature of the liability. Employees are allowed to accrue compensated absences indefinitely, subject to certain dollar limits, and use it at their discretion.

Water and sewer revenue bonds constitute special obligations of the Town solely secured by a lien on and pledge of the new revenues of the water and sewer systems.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

The revenue bonds are collateralized by the revenues of the water and sewer systems and the various special funds established by the bond ordinances. The ordinances provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the Town to maintain pledged revenues, as defined in the ordinances. The Town is in compliance with the above items.

Revenue bond payable to USDA, Rural Development, monthly payments of \$2,163 including interest at 4.625%, with a maturity date of September 2049.	450,384
Revenue bond payable to USDA, Rural Development, monthly payments of \$9,326 including interest at 3.750%, with a maturity date of December 2053.	2,201,162
Revolving loan payable to US Bank, bi-annual payments vary according to a fixed schedule, including interest at 2.75%, with a maturity date of January 2027.	<u>242,000</u>
Total long term debt payable	<u><u>2,893,546</u></u>

Annual cash flow requirements for loan and bonds payable are as follows:

Year Ending	Total		
June 30,	Principal	Interest	Requirements
2015	43,114	104,267	147,381
2016	53,501	104,242	157,743
2017	55,944	102,580	158,524
2018	57,443	100,856	158,299
2019	59,004	99,070	158,074
Thereafter	<u>2,624,540</u>	<u>1,768,868</u>	<u>4,393,408</u>
	<u><u>2,893,546</u></u>	<u><u>2,279,883</u></u>	<u><u>5,173,429</u></u>

In August of 2013 the Town entered into a capital lease agreement for the purchase of a bobcat. The terms of the lease agreement call for monthly payments of \$425 with interest at 7.509%. The lease matures in July of 2018.

Annual cash flow requirements for the capital lease payable are as follows:

Year Ending	Total		
June 30,	Principal	Interest	Requirements
2015	3,887	1,210	5,097
2016	4,189	908	5,097
2017	4,514	583	5,097
2018	4,865	232	5,097
2019	421	3	424
	<u>17,876</u>	<u>2,936</u>	<u>20,812</u>

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

NOTE F RESTRICTED ASSETS

The following restricted cash and investments were held by the Town as of June 30, 2014:

	Water Utility Fund	Sewer Utility Fund	Total
Revenue Bonds Reserves	25,189	50,781	75,970
Total restricted assets	25,189	50,781	75,970

NOTE G ANALYSIS OF INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014 were made up of the following amounts:

	Transfers In	Transfers Out
General Fund	0	10,000
Other Governmental Funds	34,248	4,248
Water Fund	0	10,000
Sewer Fund	0	10,000
	34,248	34,248

The transfers were routine transfers for the Town.

NOTE H RETIREMENT AND PENSION PLANS

The Town participated in two multi-employer cost-sharing retirement plans which cover all employees, except part-time employees. The Public Employee’s Retirement System (PERS) covers all full time employees who qualify to be covered. The Fire Department Relief Association Disability and Pension Fund covers all firefighters. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Public Employee’s Retirement System (PERS):

PERS is a statewide retirement plan established in 1945 and governed by Title 19, chapters 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employee’s Retirement Division (PERD).

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Annual retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Member’s rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

Funding is provided by participating governmental units and their employees. The Town's required contribution to this plan for the year ended June 30, 2014 was \$3,087 (8.07% of payroll). The Town's contribution represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$2,963 (7.90% of payroll). Total payroll for employees covered by PERS was \$39,500. One hundred percent of required contributions for both the employer and employees were made for the current and preceding two years. Contributions were \$6,050, \$5,162 and \$7,571, for fiscal years ending June 30, 2014, 2013 and 2012, respectively. The State of Montana contributes .10% of the employee's compensation. The state's "on-behalf" contribution was \$40 and was not recognized in the Town's financial statements.

The PERS financial information is reported in the Public Employee's Retirement Board's Comprehensive Annual Financial Report for the fiscal year-end. It is available from the PERD at 100 North Park Avenue, Suite 100, PO Box 200139 Helena, MT 59620-0139, (406) 444-3154.

Fire Department Relief Association Disability and Pension Fund:

Town volunteer fire fighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State Law. The Association is managed by a Board of Trustees made up of members of the fire department, and the Disability and Pension Fund is considered an independent reporting entity which is to be included in the Town's financial statements. The Town does maintain a Fire Department Relief Association and Disability and Pension Fund as an agency fund; however, this fund is only used to account for contributions until they are remitted to the separate Disability and Pension Fund.

Pension Benefits. A volunteer fire fighter may retire with a service allowance after completing 20 years of creditable service and attaining the age of 50. A member does not have to be an active member of a volunteer fire fighting company when he reaches age 50. The pension payable to qualified claimants is recalculated each fiscal year based upon the amount available for distribution from the fund and the number of qualified claimants. The total pension payable to any individual may not exceed \$200 per month.

If a volunteer fire fighter is prevented from completing 20 years of creditable service due to any factors beyond his control, he may qualify for partial participation, if he completed at least 10 years of creditable service. The pension payments will be prorated accordingly.

Disability Payments. A member injured while performing his duties as a volunteer fire fighter is eligible to receive compensation for his necessary and reasonable medical expenses, not to exceed \$25,000, resulting directly from the disability and incurred within 36 months from the date of injury which caused the disability. If this disability prevents the volunteer fire fighter from completing 20 years of service, he may also be eligible for partial pension payments.

Death Benefits. A lump-sum payment equal to the actual necessary and reasonable expenses, of \$1,500 (whichever is less) will be paid directly to the provider of funeral service for any eligible volunteer fire fighter whose death occurs in the line of duty.

Upon the death of an active or retired volunteer fire fighter, his surviving (or dependent child(ren) under 18) will receive the full or partial pension payment earned by the fire fighter. Payments to eligible survivors will end when the surviving spouse dies or remarries, the surviving dependent child(ren) reach age 18; or, the total payments have reached \$4,000 (or a proportion thereof for partial pensions).

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS

as of June 30, 2014

Group Insurance Payments. To encourage volunteer companies to maintain group insurance for their members to provide benefits in case of death or injury incurred while in the line of duty as volunteer fire fighters, payments are made to volunteer fire companies equal to \$75 per year for each mobile fire fighting unit owned by each volunteer fire company, up to maximum of two units.

Montana law requires that the disability and pension fund contain at least .21% of the total assessed value of taxable property with the Town limits but not more that .52% of the assessed taxable value. Once the fund contains less than .21% of the assessed value the Town council shall levy a tax to be deposited in the fund. The Town did not contribute to the plan for the fiscal year ended June 30, 2014. The State contributes, out of moneys received for insurance premium taxes, an amount equal to 1 mill times the total taxable value of the Town. The State's reimbursement for the plan contribution was \$0.

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

NOTE I COUNTY PROVIDED SERVICES

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

NOTE J RISK MANAGEMENT

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

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

In 1988, the Town joined other Montana cities in the Montana Municipal Interlocal Authority, which established a worker's compensation plan and tort liability plan. In 1998, the Montana Municipal Interlocal Authority created property insurance plan. The public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$1,000 deductible per government. The Town pays an annual premium for its employee's injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Town of Big Sandy

NOTES TO THE FINANCIAL STATEMENTS
as of June 30, 2014

NOTE K COMMITMENTS AND CONTINGENCIES

Legal Issues. The Town is subject to claims and lawsuits, which arise, primarily in the ordinary course of operations. The Town does not anticipate any losses with respect to such existing or pending claims at June 30, 2014.

Other Post-Employment Benefits (OPEB). The Town allows retirees to remain on the group health insurance plan. The Town uses a single premium for both active and retired employees resulting in an implicit rate subsidy (the older retiree benefits from the Town's blended premium). The Town has not recorded a liability for the implicit rate subsidy as based on the past ten years no retirees have utilized the Town's health insurance due to the high cost of the plan. The Town estimates that future retirees also will not purchase health insurance through the Town and as a result the Town has not recorded an OPEB liability.

NOTE L SUBSEQUENT EVENTS

Management of the Town has performed an analysis of the activities and transactions through March 20, 2015, the date these financial statements were available to be issued, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Big Sandy

BUDGETARY COMPARISON SCHEDULES
for the year ended June 30, 2014

GENERAL FUND

	Original/Final Budgeted Amounts	Actual Amounts	Variance
REVENUES			
Taxes and assessments	17,450	89,998	72,548
Licenses and permits	60	160	100
Intergovernmental revenues	68,000	69,840	1,840
Charges for services	6,200	5,708	(492)
Fines and forfeitures	650	90	(560)
Miscellaneous revenues	2,200	2,419	219
Investment and royalty earnings	3,500	465	(3,035)
Total revenues	98,060	168,680	70,620
EXPENDITURES			
Current:			
General government	51,818	41,294	(10,524)
Public safety	29,800	29,365	(435)
Public works	10,100	5,686	(4,414)
Public health	1,000	97	(903)
Culture and recreation	52,580	47,164	(5,416)
Total expenditures	145,298	123,606	(21,692)
Excess (deficiency) of revenues over expenditures	(47,238)	45,074	92,312
OTHER FINANCING SOURCES (USES)			
Interfund operating transfers out	0	(10,000)	(10,000)
Total other financing sources and uses	0	(10,000)	(10,000)
Net change in fund balance	(47,238)	35,074	82,312
Fund balance, beginning of year		101,805	
Fund balance, end of year		136,879	

See Independent Auditor's Report.

Town of Big Sandy

BUDGETARY COMPARISON SCHEDULES
for the year ended June 30, 2014

GARBAGE FUND

	Original/Final Budgeted Amounts	Actual Amounts	Variance
REVENUES			
Taxes and assessments	600	44,413	43,813
Miscellaneous revenues	0	1,350	1,350
Investment and royalty earnings	0	107	107
Total revenues	<u>600</u>	<u>45,870</u>	<u>45,270</u>
EXPENDITURES			
Current:			
Public works	<u>44,800</u>	<u>43,611</u>	<u>(1,189)</u>
Total expenditures	<u>44,800</u>	<u>43,611</u>	<u>(1,189)</u>
Excess (deficiency) of revenues over expenditures	<u>(44,200)</u>	<u>2,259</u>	<u>46,459</u>
Net change in fund balance	<u>(44,200)</u>	2,259	<u>46,459</u>
Fund balance, beginning of year		<u>22,696</u>	
Fund balance, end of year		<u>24,955</u>	

See Independent Auditor's Report.

Town of Big Sandy

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2014

NOTE A BUDGETED FUNDS

The Town adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. 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 first Thursday after the first Tuesday in September or within 30 calendar days of the receipt of the certified taxable valuations from the Department of Revenue. 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.

State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

NOTE B BUDGETARY BASIS

The Town's budgets are prepared on the budget basis (modified accrual basis, including encumbrances, of which the Town has none) of accounting, which results in accounting for certain transactions on a basis other than generally accepted accounting principles (modified accrual). The Town's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the Town's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget and the final budget, which includes amendments. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. Results of operations, on the budget basis of accounting, are presented for the general fund and major special revenue funds with legally adopted annual budgets, to provide a meaningful comparison of actual results with the budget.

SUPPLEMENTAL INFORMATION

Town of Big Sandy

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
<i>Direct Programs:</i>		
Water & Waste Disposal Systems for Rural Communities	10.760	<u>2,696,697</u>
Total U.S. Department of Agriculture		<u>2,696,697</u>
Grand Total		<u><u>2,696,697</u></u>

Town of Big Sandy

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

NOTE A BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Big Sandy and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

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

March 20, 2015

Board of Trustees
Town of Big Sandy
PO Box 381
Big Sandy, MT 59520

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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Big Sandy's basic financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Big Sandy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Big Sandy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Big Sandy's internal control.

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. *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 internal control over financial reporting 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 over financial reporting 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 accompanying schedule of findings and questioned costs that we consider finding to be significant deficiency as item 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Big Sandy'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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying include the title of the schedule in which the findings are reported schedule of findings and questioned costs as item 2014-001.

Purpose of this Report

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



Wipfli LLP
Billings, Montana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 20, 2015

Board of Trustees
Town of Big Sandy
PO Box 381
Big Sandy, MT 59520

Report on Compliance for Each Major Federal Program

We have audited the Town of Big Sandy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Big Sandy's major federal programs for the year ended June 30, 2014. The Town of Big Sandy's major federal program is identified in the schedule of findings and questioned costs 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 major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Big Sandy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 of Big Sandy'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 the Town of Big Sandy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Big Sandy 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, 2014.

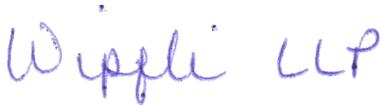
Report on Internal Control over Compliance

Management of the Town of Big Sandy 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 of Big Sandy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Town of Big Sandy'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 material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is 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.



Wipfli LLP
Billings, Montana

Town of Big Sandy

SCHEDULE OF FINDINGS AND QUESTIONED COST

June 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor s' report issued on compliance for major programs: *Unmodified*

- Internal control over major programs
- Material weakness(es) identified _____ Yes X No
 - Significant deficiency(ies) indentified that are not considered material weaknesses _____ X No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 _____ Yes X No

Identification of Major Programs:

CFDA Number(s)

10.760

Name of Federal Program or Cluster

Water & Waste Disposal for Rural Communities

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low risk auditee? _____ Yes X No

Town of Big Sandy

SCHEDULE OF FINDINGS AND QUESTIONED COST

June 30, 2014

FINANCIAL STATEMENT FINDINGS

2014-001 Budgets

Criteria or Specific Requirements: Montana Statute MCA 7-6-4024 requires a local government to adopt and approve a budget by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving a certified taxable values from the Montana Department of Revenue.

Condition: The budget for fiscal year 2014 was not adopted until September 12, 2013, which was a week after the required date of September 5, 2013.

Context: We reviewed the Town's council meetings minutes to determine if the town budget was adopted on or before September 5, 2013, per MCA 7-6-4024.

Effect: The Town is in violation for Montana Statute MCA 7-6-4024.

Cause: Oversight by the Town council.

Recommendation: We recommend that the Town council ensure that the budget is adopted by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving a certified taxable values from the Montana Department of Revenue.

FEDERAL AWARD FINDINGS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2013-001 Key Employee Employment Contracts

Resolved

TOWN OF BIG SANDY
PO BOX 381
BIG SANDY MT 59520
(406)378-2350

2014-001 Budgets

Criteria or Specific Requirements: Montana Statute MCA 7-6-4024 requires a local government to adopt and approve a budget by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving a certified taxable values from the department of revenue.

Condition: The budget for fiscal year 2014 was not adopted till September 12, 2013.

Context: We reviewed the Town's council meetings minutes to determine if the town budget was adopted on or before September 5, 13, per MCA 7-6-4024.

Effect: The Town is in violation for Montana Statute MCA 7-6-4024.

Cause: Oversight by the Town council.

Recommendation: We recommend that the Town budget is adopted by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving a certified taxable values from the department of revenue.

Corrective Action

The Town Council and Town Clerk will make every effort to comply with MCA 7-6-4024 and adopt the Town budget when required.



Stephen F Stiles
Mayor
Town of Big Sandy



Wendy Kleinsasser
Town Clerk/Treasurer
Town of Big Sandy