

**CITY OF COLSTRIP
ROSEBUD COUNTY
COLSTRIP, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

**2810 CENTRAL AVENUE, SUITE B
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CITY OF COLSTRIP

ORGANIZATION

June 30, 2014

MAYOR

Rose Hanser

COUNCIL

Tom Jankowski	Member
John Williams	Member
Greg Koczur	Member
Lawretta Miller	Member

CITY OFFICIALS

Gary Ryder	City Attorney
Michelle Richards	Clerk/Treasurer
Bryan Swan	Public Works Supervisor
Gail Beckham	City Judge
Cory Hert	Police Chief

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Colstrip
Colstrip, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

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

Qualified Opinions

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions on the basic financial statements are not affected, the following material departure(s) from the prescribed guidelines exist; the management's discussion and analysis is not in conformity with accounting principles generally accepted in the United States because it did not contain all of the elements required by GASB Statement No. 34, as amended by GASB Statement No. 37. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
February 2, 2015

CITY OF COLSTRIP
MANAGEMENT'S DISCUSSION & ANALYSIS

The City of Colstrip offers the readers of this financial statement this narrative overview and analysis of the financial activities of the City. This overview and analysis is based on the current year's activities, resulting changes and currently known facts and the City encourages readers to read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net position of our business-type activities increased by \$285,815 and net position increased in governmental activities by \$102,051 resulting in a net increase of total net position of \$387,866 nearly 2.4 percent of the total net assets.
- The \$102,051 increase in governmental net position included the savings generated between revenues of \$3,292,026 received and expenses of \$3,642,399 incurred.
- Total revenue collected decreased by \$330,032, or approx. 8.8%, from the previous fiscal year, due to lower postponed payment of taxes and assessments. The City did increase assessments in 2013-2014.
- The City received two Coal Impact grants: \$200,000 for a new City Shop and \$18,484 for a Master Water Plan. The City also received a TSEP grant of \$15,000 for our Master Water Plan. A CTEP grant of \$47,740, used for a neighborhood park (Wild Horse Park) in cooperation with the park district.
- Total expenses for all activities increased by \$187,951 or approximately 3.9% from the previous year. Total expenses for business-type activities decreased by \$126,010 dropping 8.3%, and governmental activities increased by \$313,961, about 9.4% from the previous year.
- In the business-type activities, income of \$1,622,015 was greater than expenses of \$1,336,200 by \$285,815. The water fund revenues exceeded operating expenses by \$166,420 while the sewer fund operating revenues exceeded expenses by \$67,349 and the solid waste fund revenues exceeded operating expenses by \$52,046.
- The year ending governmental net position was \$10,953,530 and the year ending business-type activities net position was \$5,204,743 for cumulative net assets of \$16,158,273, an increase of \$387,866, about 2.5%.
- Major projects completed during the year included a major street project, the remainder of our new City Shop, the purchase of a new Police Vehicle, a PER for our Wastewater Treatment System.

USING THIS ANNUAL REPORT

This annual report consists of four main areas: Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements.

The Statement of Net Position noted as page 8 and the Statement of Activities noted as page 9 provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

Notes to the Financial Statements provide information for a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as 1) Summary of Significant Accounting Policies; 2) Reconciliation of Government-Wide and Fund Financial Statements; 3) Compliance and Accountability; 4) Deposits and Investments; 5) Changes in Capital Assets; 6) Pension and Retirement Plans; and 7) Outstanding Debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements: The Statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps the user understand whether the City is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

CITY OF COLSTRIP
MANAGEMENT'S DISCUSSION & ANALYSIS

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

Governmental activities—Basic services are reported here, including the police, fire, public works department, and general administration. Property taxes and intergovernmental revenues finance most of these activities.

Business-type activities—Fees charged to customers help it recover all or most of the cost of certain services it provides. The water and sewer systems and solid waste collection service are reported here.

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

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

- a. Total assets, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).
- b. The same element that met the 10 percent criterion in a. is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The City of Colstrip utilizes the following funds:

Governmental funds - Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Revenues are recognized when they become measurable available and expenditures are recognized when the liability is incurred.

The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

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

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

THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In our case, assets exceeded liabilities by \$16,158,273 as of June 30, 2014. Net Position consisted of those invested in capital assets of \$11,863,326; restricted for: debt service of \$105,628; General Govt. \$ 3,006; Public Safety-- Police training, retirement and drug enforcement activities \$270,153; Public Works \$9,575; Capital projects \$664,810; and the remaining unrestricted net assets of \$3,241,775.

The \$102,051 increase in governmental net position included the savings generated between revenues of \$3,292,026 received and expenses of \$3,642,399 incurred. As new equipment was received and the City Shop project completed, we again saw an increase in the governmental activities compared to last year.

CITY OF COLSTRIP
MANAGEMENT'S DISCUSSION & ANALYSIS

The business income of \$1,622,015 exceeded expenses of \$1,336,200 by \$285,815. The water fund income exceeded operating expenses by \$166,420, while the sewer fund operating income exceeded expenses by \$67,349. The increasing revenues in all the business funds are the result of a reevaluation by City Council members and upward adjustment to the rates. The City has completed a Master Water Facilities Plan and a Wastewater Facilities Preliminary Engineering Report. The City has successfully refinanced the current water and sewer bonds with anticipated savings of over \$10,000 per annum. The Solid Waste fund revenues exceeded expenses by \$52,046. The City Council successfully updated the Solid Waste fees for non-residential containers.

Please refer to the "Statement of Net Position" (page 8), the Statement of Activities (page 9) and the Statement of Net Position for Proprietary Funds (page 14) for further information regarding the financial state of the government as a whole.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The combined fund balance for governmental funds at the close of the fiscal year was \$3,206,952.00. Fund balance is classified as unreserved, nonspendable, restricted or committed. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Unrestricted net position in the proprietary funds was \$1,131,054 at the end of the fiscal year, an increase of \$285,815, an increase of 5.8% from the previous year. There were significant increases in unrestricted net position in the Solid Waste, Water and Sewer Funds.

At the close of this fiscal year, the City of Colstrip had \$4,110,078 in cash and investments compared to \$3,764,676 on June 30, 2013. Of these funds, approx. 61% (\$2,503,795.24) was invested with First Interstate Bank's Wealth Management division.

The City invests its funds in a combination of U.S. Treasury Bills & Notes, Government-issued Bonds, Federal Agency Securities and Money Market accounts. The current annual yield for the city's combined portfolio is 2.005%.

The governmental funds of the City reported a combined fund balance of \$3,206,952, compared to \$3,219,953 at the end of fiscal year 2014. The decrease in fund balance of \$13,001, is primarily due to a decrease in receivables.

General Fund expenditures of \$3,533,108 were \$611,592 less than the final budgeted appropriation of \$4,144,700. This favorable variance is due to conservative management practices that resulted in savings across the entire general fund and delays in the construction of a new public works shop until the next fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City of Colstrip's investment in capital assets for its governmental and business-type activities was \$11,863,326 (net of related debt) as of June 30, 2014. This amount represents a net increase of \$112,370 or 0.96% over the previous year. The investment in capital assets includes; improvements other than buildings, equipment and vehicles, and infrastructure.

Projects completed and additions to capital assets included:

Street Projects	\$ 762,213
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For more information related to capital assets, see page 25 of the notes to the basic financial statements.

At year-end, the City of Colstrip had \$932,000 in bonds and notes outstanding versus \$1,159,000 the previous year, a reduction of nearly 19.6%. No new debt was issued during the fiscal year, though the refinancing of the Phase I and Phase II bonds had a favorable outcome for the City. Short-term debt for the city at year-end included: \$80,621 in Accounts Payable and \$202,543 in Compensated Absences Payable. Compensated Absences Payable increased \$11,948 from the previous year.

THE GOVERNMENT'S FUTURE

Our records indicate the City of Colstrip has a lower mill levy than any other city/town in Montana. From 2001-2010, the City levied less than the maximum mill levy authorized under state law, resulting in an accumulation of 33.10 in unused mills that are available to the city to levy at a future date.

The city's taxable valuation for 2013-14 is \$75,524,906, a decrease from the previous year of \$80,507,262. Concerns for the future of coal based energy production continue to be an issue. Increasing regulations driven by pressure from special interest groups at the national and state level pose an ongoing threat to our economy here in Colstrip. Over 75% of the jobs are directly related to the energy industry with our tax base depending upon the coal powered steam electric units in our community. The ever changing requirements within the permit process add to the instability and inability for industry to move forward with long term planning, along with valuable research and development at a local, state and national level.

Montana's State Legislature will convene again in early 2015. We are hopeful that a more progressive plan will be embraced leading to the continued development of our natural resources as they dramatically impact our local and state economy.

CITY OF COLSTRIP
MANAGEMENT'S DISCUSSION & ANALYSIS

Most of the city's funds are in good financial condition. The upcoming Wastewater Plant and system upgrades will pose an increase of expenses within the capital budget as well as the enterprise fund. With continued evaluation of this fund the City plans to avoid inadequate funding as we move forward. As you are aware, these funds rely on user's fees instead of property taxes. The Solid Waste Fund is in a more stable position due to the increased fees for non-residential customers. As a City we will continue to assess the condition of our funds in light of the expenditures required to maintain services at an acceptable level.

CITY OF COLSTRIP
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 2,038,348	\$ 792,288	\$ 2,830,636
Investments	1,069,404	210,038	1,279,442
Receivables:			
Taxes and assessments	3,544	14,959	18,503
Governments	89,599	-	89,599
Utility	-	115,751	115,751
Restricted assets:			
Investments	-	205,628	205,628
Prepays	38,824	-	38,824
Capital assets:			
Land and construction in progress	116,561	210,073	326,634
Capital assets, net of accumulated depreciation	7,778,704	4,689,988	12,468,692
Total assets	11,134,984	6,238,725	17,373,709
LIABILITIES			
Accounts payable-vendors	29,223	51,398	80,621
Deposits payable	-	312	312
Long-term liabilities:			
Due within one year:			
Bonds	-	124,000	124,000
Compensated absences	15,223	5,026	20,249
Due in more than one year:			
Bonds	-	808,000	808,000
Compensated absences	137,008	45,246	182,254
Total liabilities	181,454	1,033,982	1,215,436
NET POSITION			
Net investment in capital assets	7,895,265	3,968,061	11,863,326
Restricted for:			
General government	3,006	-	3,006
Public safety	270,153	-	270,153
Public works	9,575	-	9,575
Capital projects	664,810	-	664,810
Debt service-bond reserve	-	105,628	105,628
Unrestricted	2,110,721	1,131,054	3,241,775
Total net position	\$ 10,953,530	\$ 5,204,743	\$ 16,158,273

CITY OF COLSTRIP
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 566,644	\$ 2,107	\$ -	\$ -	\$ (564,537)	\$ -	\$ (564,537)
Public safety	1,394,575	26,498	101,189	-	(1,266,888)	-	(1,266,888)
Public works	1,415,372	200	48,015	200,000	(1,167,157)	-	(1,167,157)
Public health	56,040	964	-	-	(55,076)	-	(55,076)
Social and economic services	5,657	-	-	-	(5,657)	-	(5,657)
Culture and recreation	130,418	-	711	72,740	(56,967)	-	(56,967)
Other current charges	73,693	-	-	-	(73,693)	-	(73,693)
Total governmental activities	3,642,399	29,769	149,915	272,740	(3,189,975)	-	(3,189,975)
Business-type activities:							
Water	782,708	799,821	33,484	-	-	50,597	50,597
Sewer	429,149	490,357	-	-	-	61,208	61,208
Solid Waste	181,188	211,342	-	-	-	30,154	30,154
Total business-type activities	1,393,045	1,501,520	33,484	-	-	141,959	141,959
Total	\$ 5,035,444	\$ 1,531,289	\$ 183,399	\$ 272,740	(3,189,975)	141,959	(3,048,016)
General revenues:							
Property taxes					2,431,852	-	2,431,852
Licenses and permits					210	-	210
Intergovernmental					782,413	100,000	882,413
Unrestricted investment earnings					23,229	11,409	34,638
Miscellaneous					43,739	26,237	69,976
Gain on disposal of capital assets					10,583	6,210	16,793
Total general revenues					3,292,026	143,856	3,435,882
Change in net position					102,051	285,815	387,866
Net position - beginning					10,851,479	4,918,928	15,770,407
Net position - ending					\$ 10,953,530	\$ 5,204,743	\$ 16,158,273

CITY OF COLSTRIP
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,475,725	\$ 414,248	\$ 148,375	\$ 2,038,348
Investments	774,226	217,332	77,846	1,069,404
Receivables:				
Taxes and assessments	3,400	-	144	3,544
Governments	-	-	89,599	89,599
Prepays	38,824	-	-	38,824
Total assets	\$ 2,292,175	\$ 631,580	\$ 315,964	\$ 3,239,719
LIABILITIES				
Accounts payable-vendors	\$ 29,223	\$ -	\$ -	\$ 29,223
Total liabilities	29,223	-	-	29,223
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-taxes and assessments	3,400	-	144	3,544
Total deferred inflows of resources	3,400	-	144	3,544
FUND BALANCES				
Nonspendable:				
Prepays	38,824	-	-	38,824
Restricted for:				
General government	-	-	2,862	2,862
Public safety	-	-	270,153	270,153
Public works	-	-	9,575	9,575
Capital projects	-	631,580	33,230	664,810
Unassigned	2,220,728	-	-	2,220,728
Total fund balances	2,259,552	631,580	315,820	3,206,952
Total liabilities, deferred inflows of resources and fund balances	\$ 2,292,175	\$ 631,580	\$ 315,964	\$ 3,239,719

CITY OF COLSTRIP
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances, governmental funds	\$ 3,206,952
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	7,895,265
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the fund financial statements.	3,544
Some liabilities (such as compensated absences), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(152,231)</u>
Net position of governmental activities	<u><u>\$ 10,953,530</u></u>

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

	General	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes/assessments	\$ 2,320,139	\$ -	\$ 112,490	\$ 2,432,629
Fines and forfeitures	15,417	-	-	15,417
Licenses and permits	5,715	-	-	5,715
Intergovernmental	1,037,028	-	137,577	1,174,605
Charges for services	9,566	-	-	9,566
Investment earnings	14,324	5,850	3,055	23,229
Miscellaneous	68,819	-	4,635	73,454
Total revenues	3,471,008	5,850	257,757	3,734,615
EXPENDITURES				
Current:				
General government	534,150	-	-	534,150
Public safety	1,127,977	-	133,595	1,261,572
Public works	1,056,660	-	58,850	1,115,510
Public health	55,635	-	-	55,635
Culture and recreation	126,632	-	711	127,343
Other current charges	73,693	-	-	73,693
Capital outlay	558,361	-	21,352	579,713
Total expenditures	3,533,108	-	214,508	3,747,616
Excess (deficiency) of revenues over expenditures	(62,100)	5,850	43,249	(13,001)
OTHER FINANCING SOURCES (USES)				
Transfers in	127,000	108,200	-	235,200
Transfers out	(108,200)	-	(127,000)	(235,200)
Total other financing sources (uses)	18,800	108,200	(127,000)	-
Net change in fund balances	(43,300)	114,050	(83,751)	(13,001)
Fund balances - beginning	2,302,852	517,530	399,571	3,219,953
Fund balances - ending	\$ 2,259,552	\$ 631,580	\$ 315,820	\$ 3,206,952

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

Net change in fund balances - total governmental funds \$ (13,001)

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

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

This is the amount by which capital outlay (\$579,713) exceeded depreciation (\$454,640) in the current period. 125,073

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold. 10,583

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. (777)

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

Compensated absences (19,827)

Change in net position of governmental activities \$ 102,051

CITY OF COLSTRIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Other Nonmajor Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 582,677	\$ 118,795	\$ 90,816	\$ 792,288
Investments	139,267	23,125	47,646	210,038
Receivables:				
Taxes and assessments	-	-	14,959	14,959
Utility	68,371	47,380	-	115,751
Total current assets	790,315	189,300	153,421	1,133,036
Non-current assets:				
Restricted assets:				
Investments	166,428	39,200	-	205,628
	<u>166,428</u>	<u>39,200</u>	<u>-</u>	<u>205,628</u>
Capital assets:				
Land and construction in progress	180,073	30,000	-	210,073
Buildings and systems	6,064,379	3,695,235	-	9,759,614
Machinery and equipment	109,050	296,531	584,618	990,199
Less accumulated depreciation	(3,885,395)	(1,850,553)	(323,877)	(6,059,825)
Capital assets, net	<u>2,468,107</u>	<u>2,171,213</u>	<u>260,741</u>	<u>4,900,061</u>
Total non-current assets	2,634,535	2,210,413	260,741	5,105,689
Total assets	3,424,850	2,399,713	414,162	6,238,725
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	47,043	3,790	565	51,398
Deposits payable	312	-	-	312
Compensated absences	2,192	2,274	560	5,026
Bonds payable	78,000	46,000	-	124,000
Total current liabilities	127,547	52,064	1,125	180,736
Non-current liabilities:				
Compensated absences	19,731	20,475	5,040	45,246
Bonds payable	511,000	297,000	-	808,000
Total non-current liabilities	530,731	317,475	5,040	853,246
Total liabilities	658,278	369,539	6,165	1,033,982
NET POSITION				
Net investment in capital assets	1,879,107	1,828,213	260,741	3,968,061
Restricted for debt service-bond reserve	66,428	39,200	-	105,628
Unrestricted	821,037	162,761	147,256	1,131,054
Total net position	\$ 2,766,572	\$ 2,030,174	\$ 407,997	\$ 5,204,743

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

	Enterprise Funds			Total
	Water	Sewer	Other Nonmajor Fund	
REVENUES				
Charges for services	\$ 799,821	\$ 490,357	\$ -	\$ 1,290,178
Assessments	-	-	211,342	211,342
Total operating revenues	799,821	490,357	211,342	1,501,520
OPERATING EXPENSES				
Personal services	191,568	177,799	84,465	453,832
Supplies	134,624	38,447	28,991	202,062
Purchased services	132,843	84,127	6,350	223,320
Fixed charges	95,113	3,141	3,280	101,534
Depreciation	192,569	104,781	58,102	355,452
Total operating expenses	746,717	408,295	181,188	1,336,200
Operating income	53,104	82,062	30,154	165,320
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	9,408	1,500	501	11,409
Intergovernmental	133,484	-	-	133,484
Miscellaneous revenue	6,415	4,641	15,181	26,237
Gain on disposal of capital assets	-	-	6,210	6,210
Interest expense	(35,991)	(20,854)	-	(56,845)
Total non-operating revenue (expenses)	113,316	(14,713)	21,892	120,495
Change in net position	166,420	67,349	52,046	285,815
Net position - beginning	2,600,152	1,962,825	355,951	4,918,928
Net position - ending	\$ 2,766,572	\$ 2,030,174	\$ 407,997	\$ 5,204,743

CITY OF COLSTRIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Other Nonmajor Fund	
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	\$ 797,521	\$ 486,574	\$ 212,655	\$ 1,496,750
Cash paid to employees	(205,507)	(179,393)	(85,135)	(470,035)
Cash paid to suppliers for goods and services	(346,798)	(125,715)	(38,621)	(511,134)
Net cash provided by operating activities	<u>245,216</u>	<u>181,466</u>	<u>88,899</u>	<u>515,581</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other governments	133,484	-	-	133,484
Cash received from miscellaneous sources	6,415	4,641	15,181	26,237
Net cash provided by noncapital financing activities	<u>139,899</u>	<u>4,641</u>	<u>15,181</u>	<u>159,721</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(73,905)	-	-	(73,905)
Cash received from sale of capital assets	-	-	6,210	6,210
Principal payments on debt	(145,000)	(82,000)	-	(227,000)
Interest paid	(35,991)	(20,854)	-	(56,845)
Net cash provided (used) by capital financing activities	<u>(254,896)</u>	<u>(102,854)</u>	<u>6,210</u>	<u>(351,540)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	4,431	(22,410)	(36,185)	(54,164)
Interest received	9,408	1,500	501	11,409
Net cash provided (used) by investing activities	<u>13,839</u>	<u>(20,910)</u>	<u>(35,684)</u>	<u>(42,755)</u>
Change in cash and cash equivalents	144,058	62,343	74,606	281,007
Cash and cash equivalents - beginning	<u>438,619</u>	<u>56,452</u>	<u>16,210</u>	<u>511,281</u>
Cash and cash equivalents - ending	<u>\$ 582,677</u>	<u>\$ 118,795</u>	<u>\$ 90,816</u>	<u>\$ 792,288</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 53,104	\$ 82,062	\$ 30,154	\$ 165,320
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	192,569	104,781	58,102	355,452
Increase in accounts receivable	(2,300)	(3,783)	-	(6,083)
Decrease in assessments receivable	-	-	1,313	1,313
Increase in accounts payable	15,782	3,790	565	20,137
Decrease in compensated absences	(13,939)	(5,384)	(1,235)	(20,558)
Net cash provided by operating activities	<u>\$ 245,216</u>	<u>\$ 181,466</u>	<u>\$ 88,899</u>	<u>\$ 515,581</u>

Schedule of Noncash Investing, Capital and Financing Activities

Capital assets purchased on account	\$ 31,261	\$ -	\$ -	\$ 31,261
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CITY OF COLSTRIP
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Firemens Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 83,783	\$ 1,789
Investments	876,325	-
Total assets	960,108	\$ 1,789
LIABILITIES		
Accounts payable	-	\$ 1,789
Total liabilities	-	\$ 1,789
NET POSITION		
Net position held in trust for benefits	\$ 960,108	

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

	Firemens Pension Fund
ADDITIONS	
Interest	\$ 10,662
Intergovernmental	113,287
Total additions	123,949
DEDUCTIONS	
Benefits	38,460
Life and disability insurance	49,894
Total deductions	88,354
Change in net position	35,595
Net position - beginning	924,513
Net position - ending	\$ 960,108

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government's significant accounting policies are described below.

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

The government reports the following major governmental funds:

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

The capital improvement fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

The government reports the following major enterprise funds:

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

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

Additionally, the government reports the following fund types:

The government has a pension trust fund, the fire department relief association disability and pension fund. The fund accounts for the financial transactions of the relief association.

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

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

Cash and Investments

The City maintains and controls a cash and investment portfolio for all funds. The investment portfolio is managed by the City Clerk/Treasurer and overseen by the Mayor and City Council. The City Clerk/Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the City's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. Investments are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents. Investment income is allocated to individual funds owning the investment. At year-end, the net change in fair value is allocated to individual funds owning the investments.

Receivables

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

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

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

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

Inventories and Prepaid

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

Restricted Assets

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

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20
Building and improvements	15-40
Machinery and equipment	5-25

Collections Not Capitalized

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

Compensated Absences

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

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 50 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Net Position

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

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

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

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

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

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

Fund Balance

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

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

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

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

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

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

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

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

Use of Estimates

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

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 3,107,752
Business-type activities	1,207,954
Fiduciary funds	<u>961,897</u>
	<u>\$ 5,277,603</u>

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

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 200	\$ -	\$ 200
Cash in banks:			
Demand deposits	945,422	-	945,422
Brokers:			
Money markets	142,400	-	142,400
U.S. Government securities	-	2,361,395	2,361,395
Repurchase agreements	<u>1,828,186</u>	<u>-</u>	<u>1,828,186</u>
	<u>\$ 2,916,208</u>	<u>\$ 2,361,395</u>	<u>\$ 5,277,603</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, the bank balance of \$485 was covered by federal deposit insurance.

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

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
U.S. Government securities	0-5.625%	Various	\$ 2,283,000	<u>\$ 2,361,395</u>	<u>\$ 2,341,053</u>	100.00%

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

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

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 1,828,186	\$ 1,828,186	\$ 1,828,186
Brokers:					
Money markets	142,400	-	-	142,400	142,400
U.S. Government securities	500,000	-	1,861,395	2,361,395	2,341,053
	<u>\$ 642,400</u>	<u>\$ -</u>	<u>\$ 3,689,581</u>	<u>\$ 4,331,981</u>	<u>\$ 4,311,639</u>

Capital Assets

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 116,561	\$ -	\$ -	\$ 116,561
Construction-in-progress	577,937	-	(577,937)	-
Total capital assets, not being depreciated	<u>694,498</u>	<u>-</u>	<u>(577,937)</u>	<u>116,561</u>
Capital assets, being depreciated				
Buildings/improvements	2,686,549	1,043,197	-	3,729,746
Improvements other than buildings	122,641	-	-	122,641
Machinery and equipment	2,668,434	73,314	(34,166)	2,707,582
Infrastructure	4,408,786	55,139	-	4,463,925
Total capital assets, being depreciated	<u>9,886,410</u>	<u>1,171,650</u>	<u>(34,166)</u>	<u>11,023,894</u>
Less accumulated depreciation for:				
Buildings/improvements	(252,980)	(48,249)	-	(301,229)
Improvements other than buildings	(23,215)	(5,527)	-	(28,742)
Machinery and equipment	(1,309,332)	(195,582)	30,749	(1,474,165)
Infrastructure	(1,235,772)	(208,282)	-	(1,444,054)
Total accumulated depreciation	<u>(2,821,299)</u>	<u>(457,640)</u>	<u>30,749</u>	<u>(3,248,190)</u>
Total capital assets, being depreciated, net	<u>7,065,111</u>	<u>714,010</u>	<u>(3,417)</u>	<u>7,775,704</u>
Governmental activities capital assets, net	<u>\$ 7,759,609</u>	<u>\$ 714,010</u>	<u>\$ (581,354)</u>	<u>\$ 7,892,265</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 35,708
Public safety	115,710
Public works	293,826
Public health	664
Social and economic services	5,657
Culture and recreation	3,075
Total depreciation-governmental activities	<u>\$ 454,640</u>

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction-in-progress	58,951	91,122	-	150,073
Total capital assets, not being depreciated	<u>118,951</u>	<u>91,122</u>	<u>-</u>	<u>210,073</u>
Capital assets, being depreciated				
Buildings and systems	9,745,570	14,044	-	9,759,614
Machinery and equipment	1,017,139	-	(26,940)	990,199
Total capital assets, being depreciated	<u>10,762,709</u>	<u>14,044</u>	<u>(26,940)</u>	<u>10,749,813</u>
Less accumulated depreciation for:				
Buildings and systems	(5,127,283)	(281,799)	-	(5,409,082)
Machinery and equipment	(604,030)	(73,653)	26,940	(650,743)
Total accumulated depreciation	<u>(5,731,313)</u>	<u>(355,452)</u>	<u>26,940</u>	<u>(6,059,825)</u>
Total capital assets, being depreciated, net	<u>5,031,396</u>	<u>(341,408)</u>	<u>-</u>	<u>4,689,988</u>
Business-type activities capital assets, net	<u>\$ 5,150,347</u>	<u>\$ (250,286)</u>	<u>\$ -</u>	<u>\$ 4,900,061</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 192,569
Sewer	104,781
Solid waste	58,102
Total depreciation-business-type activities	<u>\$ 355,452</u>

Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 127,000	\$ (108,200)
Capital improvement	108,200	-
Nonmajor governmental funds	-	(127,000)
Total governmental activities	<u>\$ 235,200</u>	<u>\$ (235,200)</u>

Transfers use unrestricted revenues collected in the general fund to finance capital improvement. Additionally, \$113,000 was transferred from the permissive medical fund into the general fund for health insurance expenditures.

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

The City issued revenue bonds through the Department of Natural Resources and Conservation (DNRC) where the government pledged income derived from the acquired or constructed assets to pay debt service. During 2014, the revenue bonds were refinanced through the DNRC. Revenue bonds outstanding were as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2014	Due within one year
Sewer system-2014	\$ 115,000	7 yr	2.00%	\$ 107,000	\$ 16,000
Water system-2014	215,000	7 yr	2.00%	201,000	30,000
Sewer system-2014	250,000	8 yr	2.00%	236,000	30,000
Water system-2014	412,000	8 yr	2.00%	388,000	48,000
				<u>\$ 932,000</u>	<u>\$ 124,000</u>

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

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 124,000	\$ 18,020	\$ 142,020
2016	126,000	15,530	141,530
2017	126,000	13,010	139,010
2018	131,000	10,470	141,470
2019	132,000	7,840	139,840
2020-2022	293,000	8,090	301,090
	<u>\$ 932,000</u>	<u>\$ 72,960</u>	<u>\$ 1,004,960</u>

The following are the significant provisions of the revenue bond resolutions:

Revenue Bond Account A sinking and interest account will be established and credited monthly with one-sixth of the principal and interest due within the next six months to meet payments of principal and interest on the bonds as they come due.

Net Revenues Produce each year, net revenues in excess of current expenses equal to 125% of the maximum principal and interest due in the current or any future fiscal year.

Reserve Account Establish a reserve account equal to 10% of the original principal or an amount equal to the maximum principal and interest due in any fiscal year.

Replacement and Depreciation Account A replacement and depreciation account will be established for repair and replacement of the systems.

The government is in substantial compliance with the revenue bond resolutions.

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Compensated absences	\$ 132,404	\$ 19,827	\$ -	\$ 152,231	\$ 15,223
Governmental activity long-term liabilities	<u>\$ 132,404</u>	<u>\$ 19,827</u>	<u>\$ -</u>	<u>\$ 152,231</u>	<u>\$ 15,223</u>
Business-type activities:					
Revenue bonds	\$ 1,159,000	\$ -	\$ (227,000)	\$ 932,000	\$ 124,000
Compensated absences	70,830	-	(20,558)	50,272	5,027
Business-type activity long-term liabilities	<u>\$ 1,229,830</u>	<u>\$ -</u>	<u>\$ (247,558)</u>	<u>\$ 982,272</u>	<u>\$ 129,027</u>

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

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

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

Replacement/depreciation	\$ 100,000	
Revenue bond-future	105,628	
	<u>205,628</u>	
	<u>\$ 205,628</u>	

NOTE 3. OTHER INFORMATION

Risk Management

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

Economic Dependency

Approximately 90 percent of the City's taxable value is comprised of six taxpayers. Tax revenues generated by these taxpayers approximate \$2.19 million.

Contingencies

On September 17, 2010, the Montana Department of Environmental Quality (DEQ) initiated a formal enforcement action against the City to address violations of the Water Quality Act at the City's water treatment system. In August 2011, the City entered into a Consent Decree and agreed to a compliance plan with the DEQ. The target goal for completion of the compliance plan is February 27, 2015. It is anticipated that there will be a minimum cost of \$800,000. The City anticipates funding the project with a variety of sources (grants, loans, etc.)

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

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

Retirement and Disability Plans

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

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

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

	Employer	Employee	Total
PERS	8.070%	7.900%	15.970%

CITY OF COLSTRIP
NOTES TO BASIC FINANCIAL STATEMENTS

PERS:

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

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The on-behalf contributions has not been recorded in the financial statements.

The amounts contributed to the plan during the years ended June 30, 2014, 2013 and, 2012, were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were \$203,920, \$186,643 and \$176,576 for the years ended June 30, 2014, 2013 and 2012, respectively.

City volunteer fire fighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State law. The Association is managed by a Board of Trustees made up of members of the fire department and is accounted for as a pension trust fund. A member of the volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. Volunteers serving less than 20 years, but more than 10 years, may receive reduced benefits. The amount of the pension benefits are set by the Board of Trustees, but may not exceed \$300 per month.

Whenever the pension trust fund contains an amount that is less than .21% of the total assessed value of taxable property or is not maintained at a level determined by an actuarial valuation to keep the fund actuarially sound, the City is required to levy an annual tax. Based on the actuarial valuation completed for June 2013, the City did not levy in the pension trust fund because the fund is actuarially sound. The State of Montana (State) contributes, out of moneys received from insurance premium taxes, an amount equal to one and one-half mills times the total taxable value of the City, but not less than \$100. The State's contribution to the plan for 2014 was \$113,287.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLSTRIP
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property taxes/assessments	\$ 2,317,409	\$ 2,317,409	\$ 2,320,139
Fees and fines	18,000	18,000	15,417
Licenses and permits	4,400	4,400	5,715
Intergovernmental	1,025,000	1,025,000	1,037,028
Charges for services	8,100	8,100	9,566
Investment earnings	14,000	14,000	14,324
Miscellaneous	38,800	38,800	68,819
Total revenues	3,425,709	3,425,709	3,471,008
EXPENDITURES			
Current:			
General government	689,500	689,500	534,150
Public safety	1,242,450	1,243,450	1,127,977
Public works	1,116,700	1,150,850	1,056,660
Public health	65,750	65,750	55,635
Culture and recreation	227,800	181,800	126,632
Housing and community development	1,500	1,500	-
Other current charges	98,200	97,000	73,693
Capital outlay	702,800	714,850	558,361
Total expenditures	4,144,700	4,144,700	3,533,108
Excess (deficiency) of revenues over expenditures	(718,991)	(718,991)	(62,100)
OTHER FINANCING SOURCES (USES)			
Transfers in	110,000	110,000	127,000
Transfers out	(108,200)	(108,200)	(108,200)
Total other financing sources (uses)	1,800	1,800	18,800
Net change in fund balance	\$ (717,191)	\$ (717,191)	(43,300)
Fund balance - beginning			2,302,852
Fund balance - ending			\$ 2,259,552

CITY OF COLSTRIP
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

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

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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CURT D. WYSS, CPA

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

To the Honorable Mayor and City Council
City of Colstrip
Colstrip, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colstrip, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated February 2, 2015. The report on governmental activities, business-type activities, each major enterprise fund and the aggregate remaining fund information was qualified because management has not recorded the other post employment benefit (OPEB) liability and related expense.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies. (Findings 2014-004 through 2014-007)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2014-006 and 2014-007.

The Government's Response to Findings

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

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

Purpose of this Report

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

O'Hess & Associates, PC

Billings, Montana
February 2, 2015

CITY OF COLSTRIP
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

2014-002. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

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

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

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

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

2014-003. SEGREGATION OF DUTIES

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

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

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

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

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

2014-004. CROSS TRAINING

Criteria: Employees should be cross-trained to perform multiple accounting functions so that every position is appropriately backed-up in the event of an unexpected absence.

Condition: Most accounting functions are cross-trained, except for cash reconciliations, budgeting and tax vouchers.

Cause: Unknown.

CITY OF COLSTRIP
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

Effect: Without cross training, the City may incur significant costs involved with hiring outside help and operational disruptions may occur.

Recommendation: City accounting personnel should continue their efforts in cross-training.

2014-005 PURCHASING POLICY NOT FOLLOWED

Criteria: Depending on the dollar amount of the purchase, the city's purchasing policy requires department heads to follow certain steps and obtain approvals prior to purchases being made.

Condition: The city's purchasing policy was not always adhered to.

Cause: Unknown

Effect: Internal control is weakened.

Recommendation: We recommend department heads adhere to the city's current purchasing policy.

2014-006. INVESTMENTS

Criteria: Section 7-6-202, MCA, allows investment of public money in direct obligations of United States with a maturity date not exceeding 5 years.

Condition: As of June 30, 2014, the city had investments that were not direct obligations of the United States.

Cause: Not monitoring the types of investments purchased.

Effect: Non-compliance with Montana financial administration laws.

Recommendation: The city should contact the investment advisor to rectify the noncompliance in the type of investments held.

2014-007. FIRE DEPARTMENT SCBA'S NOT BID

Criteria: Section 7-5-4302, MCA, specifies a contract for any purchase in excess of \$80,000 may not be entered into by a local government without first publishing a notice calling for bids.

Condition: The fire department purchased new SCBA's for a total price of \$105,504 without going through the formal bid process.

Cause: Unknown

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-4302, MCA.

CITY OF COLSTRIP
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS	STATUS
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED
2013-3. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-4. CROSS TRAINING	NOT IMPLEMENTED
2013-5. CITY JUDGE	NOT APPLICABLE
2013-6. UNUSED FLEX CONTRIBUTIONS	IMPLEMENTED