

TOWN OF KEVIN
KEVIN, MONTANA
FINANCIAL STATEMENTS
AS OF
JUNE 30, 2014

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Douglas Wilson & Company, P.C.

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To the Town Council
Kevin, Montana

Douglas **WILSON**
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

The Town of Kevin does not maintain capital asset records nor record any amounts for capital assets in its governmental activities. The Town of Kevin's records do not permit the application of alternative procedures regarding the cost of the capital assets. The Town of Kevin is unable to calculate and record depreciation on its capital assets. We were unable to obtain sufficient evidence to support the cost of capital assets reported in the business-type activities (enterprise funds) as the Town of Kevin does not maintain detailed records related to those capital assets. The Town of Kevin does not calculate depreciation on the enterprise fund fixed assets.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Town of Kevin, as of June 30, 2014, and the changes in financial position 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 budgetary comparison information on pages 24 and 25 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, on our consideration of the Town of Kevin'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 Town of Kevin's internal control over financial reporting and compliance

A handwritten signature in black ink that reads "Douglas Wilson + Company, P.C." The signature is written in a cursive, flowing style.

Great Falls, Montana
June 8, 2015

TOWN OF KEVIN
TOOLE COUNTY, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 53,638	\$ 15,197	\$ 68,835
Accounts Receivable	4,586	13,116	17,702
Grants Receivable	-	34,251	34,251
Total Current Assets	<u>58,224</u>	<u>62,564</u>	<u>120,788</u>
Noncurrent Assets			
Restricted Cash and Cash Equivalents	-	44,527	44,527
Capital Assets			
Land	-	300	300
Buildings	-	796,674	796,674
Non-Building Improvements	-	2,842,117	2,842,117
Machinery and Equipment	-	62,356	62,356
Total Capital Assets	<u>-</u>	<u>3,701,447</u>	<u>3,701,447</u>
Total Noncurrent Assets	<u>-</u>	<u>3,745,974</u>	<u>3,745,974</u>
Total Assets	<u>\$ 58,224</u>	<u>\$ 3,808,538</u>	<u>\$ 3,866,762</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ -	\$ 34,251	\$ 34,251
Deposits Payable	-	5,330	5,330
Current Portion of Loans and Bonds Payable	-	27,329	27,329
Total Current Liabilities	<u>-</u>	<u>66,910</u>	<u>66,910</u>
Noncurrent Liabilities			
Loans and Bonds Payable	-	306,220	306,220
Total Liabilities	<u>-</u>	<u>373,130</u>	<u>373,130</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	-	3,367,898	3,367,898
Restricted for:			
Revenue Bond - Current Debt	-	39,197	39,197
Special Revenue Fund	7,686	-	7,686
Unrestricted	<u>50,538</u>	<u>28,313</u>	<u>78,851</u>
Total Net Position	<u>\$ 58,224</u>	<u>\$ 3,435,408</u>	<u>\$ 3,493,632</u>

See Accompanying Notes to the Financial Statements.

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions / Programs	Expenses	Program Revenue Charges for Services, Fines, Forfeitures	Net (Expense) Revenue and Changes in Net Position		
			Governmental Activities	Business Type Activities	Total
Governmental Activities:					
General Government	\$ 44,658	\$ -	\$ (44,658)	\$ -	\$ (44,658)
Public Safety	3,174	-	(3,174)	-	(3,174)
Public Works	3,844	-	(3,844)	-	(3,844)
Public Health	-	-	-	-	-
Culture and Recreation	617	-	(617)	-	(617)
Miscellaneous	5,610	-	(5,610)	-	(5,610)
Total Governmental Activities	<u>57,903</u>	<u>-</u>	<u>(57,903)</u>	<u>-</u>	<u>(57,903)</u>
Business-Type Activities					
Water	32,419	55,592	-	23,173	23,173
Sewer	18,410	28,187	-	9,777	9,777
Other	24,130	29,157	-	5,027	5,027
Total Business-Type Activities	<u>74,959</u>	<u>112,936</u>	<u>-</u>	<u>37,977</u>	<u>37,977</u>
Total Primary Government	<u>\$ 132,862</u>	<u>\$ 112,936</u>	<u>(57,903)</u>	<u>37,977</u>	<u>(19,926)</u>
General Revenues					
Property Taxes			35,270	-	35,270
Local Option Taxes			4,907	-	4,907
Licenses and Permits			5	-	5
Unrestricted Federal/State					
Shared Revenues			31,052	-	31,052
Intergovernmental Capital Grants					
			-	395,022	395,022
Unrestricted Investment Earnings					
			129	195	324
Miscellaneous					
			3,654	-	3,654
Total General Revenues not Including Transfers			<u>75,017</u>	<u>395,217</u>	<u>470,234</u>
Transfers					
			<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues, Proceeds and Transfers			<u>75,017</u>	<u>395,217</u>	<u>470,234</u>
Change in Net Position			17,114	433,194	450,308
Net Position Beginning of Year			<u>41,110</u>	<u>3,002,214</u>	<u>3,043,324</u>
Net Position End of Year			<u>\$ 58,224</u>	<u>\$ 3,435,408</u>	<u>\$ 3,493,632</u>

See Accompanying Notes to the Financial Statements.

TOWN OF KEVIN
TOOLE COUNTY, MONTANA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS	<u>General</u>	<u>CDBG- Local Source</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 45,952	\$ 7,686	\$ 53,638
Accounts Receivable	4,586	-	4,586
Total Assets	<u>\$ 50,538</u>	<u>\$ 7,686</u>	<u>\$ 58,224</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Restricted	-	7,686	7,686
Unassigned	50,538	-	50,538
Total Fund Balance	<u>50,538</u>	<u>7,686</u>	<u>58,224</u>
Total Liabilities and Fund Balance	<u>\$ 50,538</u>	<u>\$ 7,686</u>	
Net Position as Reported in the Statement of Net Position			<u>\$ 58,224</u>

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	CDBG - Local Source	Total Governmental Funds
Revenues			
Property Taxes	\$ 35,270	\$ -	\$ 35,270
Local Option Taxes	4,907	-	4,907
Licenses and Permits	5	-	5
Intergovernmental	21,361	9,691	31,052
Miscellaneous Revenues	3,404	250	3,654
Investment and Royalty Earnings	110	19	129
Total Revenues	<u>65,057</u>	<u>9,960</u>	<u>75,017</u>
Expenditures			
General Government	42,049	2,609	44,658
Public Safety	1,304	1,870	3,174
Public Works	-	3,844	3,844
Public Health	-	-	-
Culture and Recreation	617	-	617
Miscellaneous	5,610	-	5,610
Total Expenditures	<u>49,580</u>	<u>8,323</u>	<u>57,903</u>
Revenues Over (Under) Expenditures	15,477	1,637	17,114
Other Financing Sources (Uses)			
Transfers	-	-	-
Net Change in Fund Balances	15,477	1,637	17,114
Fund Balance, Beginning of Year	<u>35,061</u>	<u>6,049</u>	<u>41,110</u>
Fund Balance, End of Year	<u>\$ 50,538</u>	<u>\$ 7,686</u>	<u>\$ 58,224</u>

See Accompanying Notes to the Financial Statements.

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Revenues Over (Under) Expenditures - Total Governmental Funds	<u>\$ 17,114</u>
Change in Net Position Per Statement of Activities	<u><u>\$ 17,114</u></u>

TOWN OF KEVIN
TOOLE COUNTY, MONTANA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>	<u>Solid Waste Fund</u>	<u>Total Enterprise Funds</u>
Assets					
Current Assets					
Cash and Cash Equivalents	\$ (1,366)	\$ 3,137	\$ 17	\$ 13,409	\$ 15,197
Due From Other Funds	-	-	-	5,493	5,493
Accounts Receivable	6,700	2,811	16	3,589	13,116
Grants Receivable	34,251	-	-	-	34,251
Total Current Assets	<u>39,585</u>	<u>5,948</u>	<u>33</u>	<u>22,491</u>	<u>68,057</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents:					
Debt Reserve	30,533	5,769	-	2,895	39,197
Customer Deposits	3,453	1,472	405	-	5,330
Total Restricted Cash and Cash Equivalents	<u>33,986</u>	<u>7,241</u>	<u>405</u>	<u>2,895</u>	<u>44,527</u>
Capital Assets					
Land	100	200	-	-	300
Buildings	-	796,674	-	-	796,674
Non-Building Improvements	2,618,477	128,600	95,040	-	2,842,117
Machinery and Equipment	12,227	3,734	254	46,141	62,356
Total Capital Assets	<u>2,630,804</u>	<u>929,208</u>	<u>95,294</u>	<u>46,141</u>	<u>3,701,447</u>
Total Noncurrent Assets	<u>2,664,790</u>	<u>936,449</u>	<u>95,699</u>	<u>49,036</u>	<u>3,745,974</u>
Total Assets	<u>\$ 2,704,375</u>	<u>\$ 942,397</u>	<u>\$ 95,732</u>	<u>\$ 71,527</u>	<u>\$ 3,814,031</u>
Liabilities					
Current Liabilities					
Accounts Payable	\$ 34,251	\$ -	\$ -	\$ -	\$ 34,251
Deposits Payable	3,453	1,472	405	-	5,330
Due to Other Funds	5,493	-	-	-	5,493
Current Portion of Long-Term Debt	16,297	4,500	-	6,532	27,329
Total Current Liabilities	<u>59,494</u>	<u>5,972</u>	<u>405</u>	<u>6,532</u>	<u>72,403</u>
Long-Term Debt	258,911	37,500	-	9,809	306,220
Total Liabilities	<u>318,405</u>	<u>43,472</u>	<u>405</u>	<u>16,341</u>	<u>378,623</u>
Net Position					
Invested in Capital Assets, Net of Related Debt	2,355,596	887,208	95,294	29,800	3,367,898
Restricted for:					
Revenue Bond - Current Debt	30,533	5,769	-	2,895	39,197
Unrestricted	(159)	5,948	33	22,491	28,313
Total Net Position	<u>2,385,970</u>	<u>898,925</u>	<u>95,327</u>	<u>55,186</u>	<u>3,435,408</u>
Total Liabilities and Net Position	<u>\$ 2,704,375</u>	<u>\$ 942,397</u>	<u>\$ 95,732</u>	<u>\$ 71,527</u>	<u>\$ 3,814,031</u>

See Accompanying Notes to the Financial Statements.

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PRIOPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Gas Fund	Solid Waste Fund	Total Enterprise Funds
Operating Revenue					
Charges for Services	\$ 54,758	\$ 27,721	\$ -	\$ 29,157	\$ 111,636
Other Operating Revenue	834	466	-	-	1,300
Total Operating Revenue	<u>55,592</u>	<u>28,187</u>	<u>-</u>	<u>29,157</u>	<u>112,936</u>
Operating Expenses					
Personnel Services	7,981	7,889	-	8,179	24,049
Supplies	9,046	5,552	-	477	15,075
Purchased Services	12,942	3,675	-	15,262	31,879
Total Operating Expense	<u>29,969</u>	<u>17,116</u>	<u>-</u>	<u>23,918</u>	<u>71,003</u>
Operating Income (Loss)	<u>25,623</u>	<u>11,071</u>	<u>-</u>	<u>5,239</u>	<u>41,933</u>
Non-Operating Revenue (Expenses)					
Interest Revenue	41	10	-	144	195
Royalties	(414)	-	-	-	(414)
Debt Service Interest Expense	<u>(2,036)</u>	<u>(1,294)</u>	<u>-</u>	<u>(212)</u>	<u>(3,542)</u>
Total Non-Operating Revenue (Expenses)	<u>(2,409)</u>	<u>(1,284)</u>	<u>-</u>	<u>(68)</u>	<u>(3,761)</u>
Income (Loss) Before Contributions and Transfers	23,214	9,787	-	5,171	38,172
Contributions and Transfers					
Capital Contributions	<u>395,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,022</u>
Change in Net Assets	418,236	9,787	-	5,171	433,194
Net Position, Beginning of Year	<u>1,967,734</u>	<u>889,138</u>	<u>95,327</u>	<u>50,015</u>	<u>3,002,214</u>
Net Position, End of Year	<u><u>\$ 2,385,970</u></u>	<u><u>\$ 898,925</u></u>	<u><u>\$ 95,327</u></u>	<u><u>\$ 55,186</u></u>	<u><u>\$ 3,435,408</u></u>

See Accompanying Notes to the Financial Statements.

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Gas Fund	Solid Waste Fund	Total Enterprise Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 54,610	\$ 27,308	\$ -	\$ 29,594	\$ 111,512
Cash paid to Employees	(7,981)	(7,889)	-	(8,179)	(24,049)
Cash Paid for Operating Expenses	(21,988)	(9,227)	-	(15,739)	(46,954)
Net Cash Provided (Used) by Operating Activities	<u>24,641</u>	<u>10,192</u>	<u>-</u>	<u>5,676</u>	<u>40,509</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions	463,282	-	-	-	463,282
Purchases/Acquisition/ Construction of Capital Assets	(462,959)	(4,934)	-	-	(467,893)
Principal Paid on Debt	(14,620)	(4,000)	-	(6,532)	(25,152)
Interest Paid on Debt	(2,036)	(1,294)	-	(212)	(3,542)
Net Cash Provided (Used) by Capital And Related Financing Activities	<u>(16,333)</u>	<u>(10,228)</u>	<u>-</u>	<u>(6,744)</u>	<u>(33,305)</u>
Cash Flows from Investing Activities					
Royalties Paid	(414)	-	-	-	(414)
Interest Earnings	41	-	-	-	41
Net Cash Provided (Used) by Investing Activities	<u>(373)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(373)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,935	(36)	-	(1,068)	6,831
Cash and Cash Equivalents, Beginning of Year	24,685	10,414	422	17,372	52,893
Cash and Cash Equivalents, End of Year	<u>\$ 32,620</u>	<u>\$ 10,378</u>	<u>\$ 422</u>	<u>\$ 16,304</u>	<u>\$ 59,724</u>
Reconciliation of Operating Income to Net Cash Provided (Used) (Used) by Operating Activities					
Operating Income (Loss)	\$ 25,623	\$ 11,071	\$ -	\$ 5,239	\$ 41,933
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: (Increase) Decrease in Accounts Receivable	<u>(982)</u>	<u>(879)</u>	<u>-</u>	<u>437</u>	<u>(1,424)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,641</u>	<u>\$ 10,192</u>	<u>\$ -</u>	<u>\$ 5,676</u>	<u>\$ 40,509</u>

See Accompanying Notes to the Financial Statements.

**TOWN OF KEVIN
TOOLE COUNTY, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Town of Kevin (Town) conform to accounting principles generally accepted in the United States of America as applicable to government units. The accepted standard setting body establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The significant accounting policies followed by the Town of Kevin are presented below.

Reporting Entity – The Town is a political subdivision of the State of Montana governed by a Mayor and Council (commission) duly elected by the registered voters of the County. The Town utilizes the elected mayor/city commission form of government. The accompanying financial statements present the primary government for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements – The Town’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-Wide Financial Statements – The statement of net position and statement of activities report information on all of the nonfiduciary activities of the Town.

The statement of net position presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s government activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipient of the goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for government funds and proprietary funds. Fund financial statements are designed to present financial information of the Town at a more detailed level (and to demonstrate legal compliance). The focus of fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column 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. 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 grantor or provider have been met.

Government 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.

Real and personal property taxes (excluding motor vehicle taxes), charges for current services and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time. The Town recorded real and personal property taxes levied for the current year as revenue. Taxes receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were recorded as deferred inflow of resources, with a corresponding reduction in revenues, as required by generally accepted accounting principles. In addition, prior period delinquent taxes collected in the current period were recorded as revenue in the current period as required by generally accepted accounting principles. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described above.

The Town of Kevin distinguishes operating revenues from non-operating revenues in preparation of its financial statements. Operating revenues generally result from providing services the Town's residents in connection with its principal on-going operations. All revenues not meeting this definition are reported as non-operating revenues.

The Town reports the following major funds:

Major Governmental Funds:

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounting for in other funds.

Special Revenue Fund - CDBG Local Share – used to account for the financial resources and uses of money that is specific in its use that is loaned out to individuals who meet the criteria for improvements to their homes.

Major Enterprise Funds:

Water Enterprise Fund – used to account for the operating and non-operating revenues and expenses of the public water utility system. The fund is maintained on the full accrual basis of accounting.

Sewer Enterprise Fund – used to account for the operating and non-operating revenues and expenses of the public sewer utility system. The fund is maintained on the full accrual basis of accounting.

Solid Waste Enterprise Fund – used to account for the operating and non-operating revenues and expenses of the public solid waste system. The fund is maintained on the full accrual basis of accounting.

Gas Enterprise Fund – used to account for the operating and non-operating revenues and expenses of the public natural gas utility system. The fund is maintained on the full accrual basis of accounting.

Cash and Cash Equivalents – Cash and cash equivalents may include cash and cash items; demand money market, time, savings, and fiscal agent deposits; investments in the State Short-term Investment Pool (STIP); repurchase agreements; and direct obligations of the United States Government. All cash and deposits with an original maturity of three months or less or those that can be liquidated within 30 days are treated as cash and cash equivalents for cash flow reporting.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, or in a repurchase agreement, or with the State Unified Investment Program. Further, Section 7-6-202, MCA authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market funds if the fund meets certain conditions.

Property Taxes – Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the Town. Taxable values are established by the State Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis.

Real property taxes and special assessments are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

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.

Budgets and Budgetary Accounting – The operations of the Town are based on a fiscal year budget. The budget for each budgeted fund is formulated on the basis of estimated revenues and expenditures for the ensuing fiscal year. Budgets were adopted for all Town funds. The budgets are prepared on the basis of accounting described in Note 1. The expenditures from those budgeted funds are limited to the approved budget at the fund level, or the fund budget as revised by Council resolution. All appropriations lapse at June 30. Any expenditures made after June 30 pertaining to the previous fiscal year are set up as accounts payable. The final budget is legally enacted by the Town Council on the second Monday in August, after holding public hearings.

Encumbrances – All appropriations, except for construction in progress, lapse at the end of the fiscal year. The Town does not utilize a formal encumbrance accounting system.

Capital Assets – Capital assets, which include land, building and improvements, and machinery and equipment are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Enterprise Funds Accounts Receivable – Utility billing accounts receivables are shown at gross amounts as the Town does not record an allowance for doubtful accounts. Management has determined that the allowance would be an immaterial amount.

Long-Term Debt – Long-term debt of the proprietary funds is reported as a liability in the specific fund making the debt service payments. The Town does not currently owe general long-term debt for the government.

Contributed Capital – Enterprise fund contributions from grants and other outside sources restricted for capital acquisition or construction are reported as non-operating revenue. Depreciation on assets acquired from contributions is not reflected in the Statement of Revenue, Expenses, and Changes in Fund Net Assets. The amount of depreciation applicable to assets acquired through contribution from grants, entitlements, and shared revenue is not recorded which is contrary to generally accepted accounting principles.

Interfund Transactions – Interfund transactions consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as revenue in the fund performing the services.

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

Interfund transfers were mainly for the purpose of transferring cash to close out the gas fund. Internal activity is eliminated in the financial statements.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Invested in Capital Assets, net of related debt: consists of capital assets, net of accumulated depreciation, and reduced by outstanding bonds attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: all other assets that do not meet the definition of “restricted” or “invested in capital assets net of related debt.”

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

Fund Balance Classifications – In the fund financial statements, government fund equity is classified as fund balance. Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Classifications include:

Non-Spendable Fund Balance: amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance: amounts that can only be spent for specific purposes because of externally imposed constraints by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

Assigned Fund Balance: amounts that are constrained by the government’s intent to be used for a specific purpose. Intent should be expressed by the governing body itself or a body or official the governing body had delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance: amounts that are available for any purpose. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget.

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

NOTE 2: CASH AND CASH EQUIVALENTS:

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

Cash on Hand/Petty Cash	\$	100
Cash in Banks:		
Demand Deposits		1,986
Savings Deposits		25
Time Deposits		21,032
Cash with County		4,433
State Short-Term Investment Pool		85,786
	\$	113,362

As of June 30, 2014, the Town had the following certificates of deposit:

<u>Description</u>	<u>Amount</u>	<u>Term</u>	<u>Rate</u>
Certificates of Deposit	\$ 10,503	12 Mos.	0.80%
Certificates of Deposit	10,529	12 Mos.	0.80%
	<u>\$ 21,032</u>		

Reported on the combined balance sheet as:

Cash and Cash Equivalents	<u>\$ 21,032</u>
---------------------------	------------------

The Town's deposits are categorized below by the level of credit risk. Category 1 includes deposits insured or collateralized for which the securities are held by the Town or its agent in the Town's name. Category 2 includes deposits uninsured and uncollateralized for which the securities are held by the broker's or dealer's trust department or agent in the Town's name. Category 3 includes deposits that are uninsured and uncollateralized for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Town's name. Category 3 deposits are totally uninsured. All the deposits of the Town are Category 1 deposits.

The Town participates in the Montana Short-term Investment Pool (STIP). STIP is considered an external investment pool. An external investment pool is defined as an arrangement that pools the monies of more than one legally separate entity and invests, on the participant's behalf, in an investment portfolio. These pooled investments are recorded at amortized cost. Interest earnings from the pooled investments are allocated to the District based on average month-end balances and are distributed monthly. Funds are withdrawn from the investment program as needed to pay warrants. It is not practical for the District to determine the market risk, investment risk, insurance coverage, or collateral for its share of the Town's deposits in the STIP. Additional information on the STIP can be obtained by contacting MB01 at 2401 Colonial Drive, Helena, MT 59620.

NOTE 3: RECEIVABLES:

Receivables recorded on the Statement of Net Position at June 30, 2014, is as follows:

Governmental Activities - Taxes Receivable	<u>\$ 4,586</u>
Business-Type Activities - Utility Services Accounts Receivable	<u>\$ 47,367</u>

NOTE 4: LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2014:

	<u>Balance 7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/14</u>
DNRC Water Project Loan Board of Investments Water Project Bond 2524-01	\$ 254,000	\$ -	\$ 14,000	\$ 240,000
DNRC Sewer Project Loan SRF-01076	-	35,828	620	35,208
DNRC Sewer Project Loan SRF-04115	23,000	-	2,000	21,000
Board of Investments Solid Waste Project Bond 2246-01	23,000	-	2,000	21,000
	<u>22,873</u>		<u>6,532</u>	<u>16,341</u>
	<u>\$ 322,873</u>	<u>\$ 35,828</u>	<u>\$ 25,152</u>	<u>\$ 333,549</u>

Bonds payable at June 30, 2014, are comprised of the following individual revenue bond issues:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of Bond</u>	<u>Final Maturity Date</u>	<u>Loans Issued</u>	<u>Outstanding 6/30/14</u>	<u>Principal Due Within One Year</u>
Water System	02/10	0.75%	20 Years	2030	\$ 302,600	\$ 240,000	\$ 14,000
Water System	10/13	1.00%	15 Years	2028	35,828	35,208	2,297
Sewer System	06/01	3.00%	20 Years	2021	47,000	21,000	2,000
Sewer System	08/03	2.75%	20 Years	2023	45,000	21,000	2,500
Solid Waste System	04/09	1.25%	7 Years	2016	48,000	16,341	6,532
					<u>\$ 478,428</u>	<u>\$ 333,549</u>	<u>\$ 27,329</u>

The significant provisions of Resolutions No. 5-01, No. 03-4, No. 10-01, No. 09-05 and No. 13-06 relating to the issuance of Sewer and Water System Revenue Bonds and the Solid Waste System Bonds, are as follows:

Resolution No. 5-01 Sewer System Revenue Bond (DNRC Revolving Loan Program), Series 2001 and Resolution No. 03-04 Sewer System Revenue Bond (DNRC Revolving Loan Program), Series 2003

- 1) The Sewer System Project is being funded, in part, by the issuance of the series 2003 bond in the maximum principal amount of \$45,000, and the Town's Sewer System Revenue Bond (DNRC Revolving Loan Program), series 2001 in the amount of \$47,000.
- 2) Pursuant to the resolutions, the principal and interest on the bonds and any additional bonds hereafter issued on a parity therewith (collectively, the "Bonds") are to be paid from the Revenue Bond Account in the Sewer System Fund. The revenues appropriated by the resolutions to the payment of the bonds are to be deposited in the Revenue Bond Account.
- 3) All amounts credited to the Revenue Bond Account allocable to the bonds will be used to pay the principal of and interest on the bonds within thirteen months after deposit.
- 4) Pursuant to the resolutions, the town will establish a Reserve Account in the Revenue Bond Account to secure its parity bonds, including the series 2001 bond and the series 2003 bond.

Resolution No. 10-01 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2010B and Resolution 13-06 Water System Revenue Bond

- 1) The Water System Project is being funded, in part, by the issuance of the series 2010B bond in the maximum principal amount of \$302,600 and series 2004 bond in the maximum principal amount of \$65,000.
- 2) Pursuant to the resolutions, the principal and interest on the bonds and any additional bonds hereafter issued on a parity therewith (collectively, the "Bonds") are to be paid from the Revenue Bond Account in the Water System Fund. The revenues appropriated by the resolutions to the payment of the bonds are to be deposited in the Revenue Bond Account.
- 3) All amounts credited to the Revenue Bond Account allocable to the bonds will be used to pay the principal of and interest on the bonds within thirteen months after deposit.
- 4) Pursuant to the resolutions, the town will establish a Reserve Account in the Revenue Bond Account to secure its parity bonds, including the series 2010B bond and 2004 bond.

Resolution No. 09-05 Solid Waste System Revenue Bond

- 1) The Solid Waste System Project is being funded, in part, by the issuance of the series 2009 bond in the maximum principal amount of \$48,000.
- 2) Pursuant to the resolutions, the principal and interest on the bonds and any additional bonds hereafter issued on a parity therewith (collectively, the "Bonds") are to be paid from the Revenue Bond Account in the Solid Waste System Fund. The revenues appropriated by the resolutions to the payment of the bonds are to be deposited in the Revenue Bond Account.
- 3) All amounts credited to the Revenue Bond Account allocable to the bonds will be used to pay the principal of and interest on the bonds within thirteen months after deposit.
- 4) Pursuant to the resolutions, the town will establish a Reserve Account in the Revenue Bond Account to secure its parity bonds, including the series 2009 bond.

Requirements to Amortize Debt - The annual requirements to amortize all long-term debt outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Surcharges</u>	<u>Total Payments</u>
2015	27,329	3,131	311	30,771
2016	27,330	2,861	273	30,464
2017	24,098	2,575	240	26,913
2018	21,344	2,323	206	23,873
2019	22,868	2,086	167	25,121
2020 - 2024	110,200	6,637	282	117,119
2025 - 2029	91,380	2,366	-	93,746
2030 - 2034	9,000	34	-	9,034
	<u>\$ 333,549</u>	<u>\$ 22,013</u>	<u>\$ 1,479</u>	<u>\$ 357,041</u>

Montana Municipal Insurance Authority - The Town of Kevin joined with other Montana cities and towns to form a self-insurance pool offering workers' compensation and tort liability coverage. The pools operate as public entity risk pools to provide common risk management and insurance coverage for member governments. Liability limits of \$750,000 per person and \$1.5 million per incident were obtained through the insurance pool. The City has no excess policy coverage. In August of 1986, the pool (renamed the Montana Municipal Insurance Authority) issued \$6.25 million in tax exempt bonds to fund the liability program's reserves. All members signed notes with the authority in order to help secure the bonds. Most of the debt service on the bonds is expected to be paid through interest earnings on bond proceeds and other funds of the authority. The Town has elected not to record this potential liability in its accounting records and does not report it as such in its financial statements.

NOTE 5: RETIREMENT PLANS:

The Town does not participate in retirement plans or provide retirement benefits for its employees.

NOTE 6: RESTRICTED CASH AND CASH EQUIVALENTS:

The following restricted cash and cash equivalents were held by the Town's business-type activities as of June 30, 2014. These amounts are reported as non-current assets on both the government-wide and proprietary fund statement of net assets.

Customer Deposits:	
Water User Deposits	\$ 3,453
Sewer User Deposits	1,472
Gas/Electric User Deposits	405
Total Deposits	<u>5,330</u>
Debt Reserves:	
Sewer Financing Reserve	5,769
Water Financing Reserve (DNRC)	30,533
Solide Waste Financing Reserve	2,895
Total Debt Reserves	<u>39,197</u>
Total Restricted Cash and Cash Equivalents	<u><u>\$ 44,527</u></u>

NOTE 7: FUND EQUITY:

Restricted net position/fund balances of the Town at June 30, 2014 consisted of the following:

Enterprise Fund:	
Water Fund:	
Restricted for Debt Service	\$ 30,533
Sewer Fund:	
Restricted for Debt Service	5,769
Solid Waste Fund:	
Restricted for Debt Service	2,895
Totals	<u><u>\$ 39,197</u></u>

NOTE 8: RISK MANAGEMENT:

The Town of Kevin faces a considerable number of risks of loss, including: a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, and e) workers' compensation, i.e. employee injuries. 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. The Town participates in two state-wide public risk pools operated by the Montana Municipal Insurance Authority, for workers' compensation and for tort liability coverage. 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. The premiums for property and content damage and professional liability are allocated between the Town's funds on the basis of gross salary charged. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF KEVIN

TOOLE COUNTY, MONTANA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 35,733	\$ 35,733	\$ 35,270	\$ (463)
Local Option Taxes	4,400	4,400	4,907	507
License and Permits	60	60	5	(55)
Intergovernmental	21,164	21,164	21,361	197
Miscellaneous	1,000	1,000	3,404	2,404
Investment and Royalty Earnings	125	125	110	(15)
Total Revenues	<u>62,482</u>	<u>62,482</u>	<u>65,057</u>	<u>2,575</u>
Expenditures				
General Government			42,049	
Public Safety			1,304	
Culture and Recreation			617	
Miscellaneous			5,610	
Total Expenditures	<u>62,482</u>	<u>62,482</u>	<u>49,580</u>	<u>12,902</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>15,477</u>	<u>15,477</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>15,477</u>	<u>\$ 15,477</u>
Fund Balance, Beginning of Year			<u>35,061</u>	
Fund Balance, End of Year			<u>\$ 50,538</u>	

TOWN OF KEVIN
TOOLE COUNTY, MONTANA
BUDGETARY COMPARISON SCHEDULE
CDBG - LOCAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental	\$ 9,691	\$ 9,691	\$ 9,691	\$ -
Miscellaneous Revenue	200	200	250	50
Investment and Royalty Earnings	30	30	19	(11)
Total Revenues	9,921	9,921	9,960	39
Expenditures				
General Government			2,609	
Public Safety			1,870	
Public Works			3,844	
Total Expenditures	9,921	9,921	8,323	1,598
Revenues Over (Under) Expenditures	\$ -	\$ -	1,637	\$ 1,637
Fund Balance, Beginning of Year			6,049	
Fund Balance, End of Year			\$ 7,686	

See Independent Auditor's Report.



Douglas **WILSON**
and Company, PC

To the Town Council
Kevin, Montana

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

**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**

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kevin, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Kevin's basic financial statements and have issued our report thereon dated June 8, 2015. Our report was modified because we were unable to obtain sufficient evidence to support the cost of capital assets.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See findings 2014-001 and 2014-002.

Compliance and Other Matters

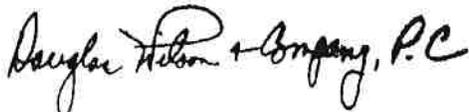
As part of obtaining reasonable assurance about whether the Town of Kevin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 and responses as item 2014-003.

Town of Kevin's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Great Falls, Montana
June 8, 2015

TOWN OF KEVIN
TOOLE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

The following is a schedule of findings and other matters which arose during the audit of the years ended June 30, 2014:

CURRENT YEAR

2014-001 Lack of Segregation of Duties

CRITERIA: The accounting functions of authorizing transactions, recording transactions and custody of the assets should be performed by different individuals. This strengthens internal controls and guards against errors and fraud.

CONDITION: One individual is responsible for authorizing and recording most transactions, and is responsible for the physical custody of the assets.

CAUSE: The staff is not large enough to properly segregate accounting functions.

EFFECT: This results in weaker internal controls and a greater risk that errors and fraud could occur.

RECOMMENDATION: We recommend that the mayor and council members be more involved in the accounting functions of the Town. More specifically we recommend the following.

- A council member should review all the checks returned with the bank statements to determine that they were valid disbursements.
- A council member should sign the time sheets.

TOWN RESPONSE:

The Town of Kevin realizes this is an issue due to our limited resources. We will work towards implementing the recommendations above.

2014-002 ASSETS AND LIABILITIES NOT RECORDED

CRITERIA: Generally accepted accounting principles and the Government Accounting Standards Board require that all assets and liabilities be recorded.

CONDITION: The following assets and liabilities were not recorded on the Town's trial balance.

- Cash and receivable maintained at the County.
- Grant receivables and payables.
- Property and equipment.
- Depreciation for property and equipment is not computed and recorded.

CAUSE: Lack of appropriate records and not appropriately identifying the assets and liabilities.

EFFECT: Non-compliance with generally accepted accounting principles.

RECOMMENDATION: We recommend that all assets and liabilities of the Town be appropriately identified and recorded in the books of the Town.

TOWN RESPONSE:

The Town of Kevin will record cash and receivables maintained by the County and the grant receivables and payables. There is still a lack of sufficient documentation to value and record property and equipment and the related depreciation. The Town is analyzing the cost and benefit related to recording fixed assets.

2014-003 MANAGEMENT DISCUSSION AND ANALYSIS

CRITERIA: The Governmental Accounting Standards Board requires that a management discussion and analysis narrative precede the basic financial statements to supplement them.

CONDITION: A management discussion and analysis is not included with the financial statements.

CAUSE: Management unaware of the requirement.

EFFECT: Financial statements not in conformity with requirements of the Governmental Accounting Standards Board.

RECOMMENDATION: We recommend that a management discussion and analysis accompany audited financial statements.

TOWN RESPONSE:

Management will analyze this and determine whether it is cost beneficial to implement this.