

**TOWN OF MELSTONE
MUSSELSHELL COUNTY
MELSTONE, MONTANA**

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
PO BOX 1980
Billings, Montana 59103

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Town of Melstone
P.O. Box 237
Melstone, Montana 59054

We have performed the procedures enumerated below, which were agreed to by the Town of Melstone Montana, (the Government) and the State of Montana, solely to perform a financial review of the Government as of and for the year ended June 30, 2014, as required by Section 2-7-503, MCA. The Government's management is responsible for the financial statements, compliance with the specified requirements and internal control over compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the State of Montana, as required by Section 2-7-503, MCA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a. We obtained the Government's annual financial report required to be prepared by State law (MCA 7-6-611), and we determined whether:
- The financial statements internally balance and reconcile, and agree to the Government's underlying accounting records, and
 - Beginning net position and fund balance amounts reported on the government-wide and fund financial statements agree to related ending net position and fund balance amounts on prior-year financial statements.

Findings resulting from these procedures are disclosed in finding number 1 in Schedule C.

- b. We determined whether the Government performed reconciliations, on a monthly basis, of total cash and investments per the accounting records with deposits and investments held in financial institutions.

We found no exceptions as a result of this procedure.

- c. We determined whether the Government has a policy requiring that its cash receipts be deposited intact on a timely (at least weekly) basis with a financial institution, and verified that, for several selected weeks throughout the year, deposits were made per this policy.

Findings resulting from this procedure are disclosed in finding number 2 in Schedule C.

- d. We determined whether the Government maintained documentation of capital assets and related schedules of depreciation, and that this documentation supports the amount of net capital assets and depreciation expense recorded in the accounting records.

We found no exceptions as a result of this procedure.

- e. We determined whether the Government maintained documentation for all long-term liabilities recorded in the accounting records, including but not limited to bonds, notes and loans, capital leases, compensated absences, and judgments.

We found no exceptions as a result of these procedures.

- f. We examined general journal entries prepared during the year, and verified that:
- All adjustments to the fund balance and net position accounts, including prior period adjustments, were supported by explanatory documentation and approved by the governing body, and
 - All transfers made were allowable under State law. (MCA 7-6-613)

We found no exceptions as a result of these procedures.

- g. Through inquiry of members of the governing body and through observation of supporting documentation, we determined whether the governing body received and reviewed the following on a monthly basis:
- A report comparing budgeted revenues and budgeted appropriations with the year-to-date actual revenues and actual expenditures,
 - A copy of the bank reconciliation for all deposits/investments,
 - A report of cash balances, receipts and disbursements, as required by MCA 7-6-612,
 - Supporting documentation for all expenditures/expenses, as required by MCA 7-6-4301.

Findings resulting from these procedures are disclosed in finding number 3 in Schedule C.

- h. We identified all claims in excess of \$80,000, and determined whether any contracts for the purchase of vehicles, machinery, equipment, supplies, construction, repair or maintenance in excess of that amount were let to the lowest responsible bidder after advertisement for bids, as required by MCA 7-5-4302, and we determined whether the bidding process was documented in the minutes of governing body meetings.

The Government had no contract for purchase that met this criteria.

- i. We verified that:
- The final budget was adopted by resolution, as required by MCA 7-6-4030;
 - The "Tax Levy Requirements Schedule" in the Government's budget document was accurately prepared, and cash reserves were (1) within the statutory limitations (MCA 7-6-4034) and (2) not negative (MCA 7-6-4030(2));
 - If applicable, any amendments to the final budget were adopted as required by MCA 7-6-4031; and
 - Total expenditures for each governmental fund did not exceed the budgeted appropriations for the fund (i.e., final budget as legally amended), as required by MCA 7-6-4005 and 7-6-4033.

Findings resulting from these procedures are disclosed in finding number 4 in Schedule C.

- j. We obtained the following documents and performed the following procedures related to property tax levies:

We obtained:

- Copies of the Government's worksheets for the "Determination of Tax Revenue and Mill Levy Limitations Under MCA 15-10-420" for the current (FY2014) and prior year (hereafter referred to as "**Determination Worksheets**");
 - A copy of the Department of Revenue's 2013 Certified Taxable Valuation Form for the Government (hereafter referred to as "**DOR Form**");
 - The Government's **Budget Resolution(s)** for FY2014;
 - For the County's agency fund for the Government, a detailed ledger query or other detailed trial balance report for the FY2014 period (hereafter referred to as "**County Report**").
1. We verified that all applicable elements from the DOR Form were transferred appropriately to the FY2014 Determination Worksheet(s).
 2. We verified that the first line (prior year authorized revenue) of the FY2014 Determination Worksheet(s) was equal to the last line of the prior year's Determination Worksheet (authorized tax revenue).
 3. We compared the "Authorized mill levy" from the FY2014 Determination Worksheet(s) to the actual mills levied per the Budget Resolution(s) and determined whether the mills actually levied were in compliance with the tax levy limitations of MCA 15-10-420.
 4. If the actual mills levied exceeded the Determination Worksheets' authorized mill levy, we verified that the excess represented additional levies authorized by voters (MCA 15-10-425), mills exempted by statute (MCA 15-10-420(9)), and/or mill authority carried forward from previous years (MCA 15-10-420(1)(b)), and we verified that the Town had documentation to support these additional mills.
 5. Tax revenue verification: We multiplied the Government's taxable valuation with the total mills levied, compared the results of this calculation with total property tax revenue recorded in the accounting records, and noted any variances of 5% or greater. (Note: Local vehicle option taxes and tax penalty/interest, if any, should be excluded from total property tax revenue for purposes of this comparison.)

6. Taxes receivable verification: We verified that total taxes receivable in the Government's accounting records agree to the total taxes receivable in the County Report.

Variances of 5% or greater, resulting from Procedure j.5., are disclosed in Schedule C, along with reasons for variances, if known.

- k. For any single source of revenue that the Government received with specific terms/conditions for its receipt and use (e.g., grants, State allocations) and that represented 25% or greater of total revenues for the fiscal year, we reviewed the terms/conditions of that revenue source and verified that the Government complied with those terms/conditions.

We found no exceptions as a result of these procedures.

Accompanying are the following schedules:

Schedules A.1. and A.2. present the Government's government-wide Statement of Net Position and Statement of Activities as of and for the fiscal year ended June 30, 2014.

Schedules B.1 through B.7 present the Government's governmental, proprietary and fiduciary fund statements, as applicable, as of and for the fiscal year ended June 30, 2014.

Schedule C presents findings and recommendations resulting from performing the above agreed-upon procedures.

We were not engaged to, and did not conduct an examination or audit, the objective of which would be the expression of an opinion on the specified accounts and transactions, or on compliance or effectiveness of internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Town of Melstone, Montana, and the State of Montana, and is not intended to be and should not be used by anyone other than these specified parties.

Strom & Associates, P.C.

Strom & Associates, P.C.

March 31, 2015

TOWN OF MELSTONE
STATEMENT OF NET POSITION
FISCAL YEAR ENDING JUNE 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	65,191.00	159,129.57	224,320.57		
Investments	0.00	0.00	0.00		
Petty Cash	25.00	50.00	75.00		
Restricted Assets:					
Cash and cash equivalents	805.99	12,384.00	13,189.99		
Investments (at fair value)	0.00	0.00	0.00		
Taxes/Assessments Receivable - (net of allowance for uncollectibles)	12,594.73	0.00	12,594.73		
Accounts/other receivables - (net of allowance for uncollectibles)	0.00	9,617.02	9,617.02		
Internal Balances	0.00	0.00	0.00		
Due from other governments	0.00	0.00	0.00		
Prepaid expense	0.00	0.00	0.00		
Inventories	0.00	0.00	0.00		
Other debits	0.00	0.00	0.00		
Capital assets not being depreciated					
Land	0.00	33,819.43	33,819.43		
Construction in progress	0.00	0.00	0.00		
Capital assets being depreciated (net of accumulated depreciation)	319.98	3,308,158.03	3,308,478.01		
Total Assets	78,936.70	3,523,158.05	3,602,094.75	0.00	0.00
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources	12,594.73	0.00	12,594.73		
Deferred Outflows of Resources	0.00	0.00	0.00		
Total Deferred Outflows of Resources	12,594.73	0.00	12,594.73	0.00	0.00
LIABILITIES					
Accounts payable and other current liabilities	0.00	0.00	0.00		
Matured bonds and interest payable	0.00	0.00	0.00		
Due to other governments	0.00	0.00	0.00		
Revenues collected in advance	0.00	0.00	0.00		
Contracts/Loans/Notes Payable	0.00	223,196.24	223,196.24		
Noncurrent liabilities:					
Due within one year	0.00	0.00	0.00		
Due in more than one year	1,827.90	3,652.50	5,480.40		
Total Liabilities	1,827.90	226,848.74	228,676.64	0.00	0.00
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources	0.00	0.00	0.00		
Deferred Inflows of Tax Resources	0.00	0.00	0.00		
Total Deferred Inflows of Resources	0.00	0.00	0.00	0.00	0.00
NET POSITION					
Net Investment in Capital Assets	319.98	3,118,781.22	3,119,101.20		
Restricted for:	26,753.23		26,753.23		
Debt Service			0.00		
Bond Indenture Requirements		0.00	0.00		
General Government			0.00		
Public Safety			0.00		
Public Works			0.00		
Public Health			0.00		
Culture/Recreation			0.00		
Economic Development			0.00		
Other:			0.00		
Non-spendable (other than Perm Fund)	0.00		0.00		
Permanent Fund principal			0.00		
Unrestricted	37,440.86	177,528.09	214,968.95		
Total Net Position	64,514.07	3,296,309.31	3,360,823.38	0.00	0.00
Balance check (should equal zero):	0.00	0.00	0.00		
-13-					

**TOWN OF MELSTONE
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDING JUNE 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Units	
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities
Primary government:							
Governmental activities:							
General government	45,778.68	0.00	0.00	0.00	(45,778.68)		(45,778.68)
Public safety	4,990.29	0.00	0.00	0.00	(4,990.29)		(4,990.29)
Public works	16,080.07	0.00	0.00	0.00	(16,080.07)		(16,080.07)
Public health	0.00	0.00	0.00	0.00	0.00		0.00
Social and economic services	0.00	0.00	0.00	0.00	0.00		0.00
Culture and recreation	3,711.22	0.00	0.00	0.00	(3,711.22)		(3,711.22)
Housing/Community Development	0.00	0.00	0.00	0.00	0.00		0.00
Conservation of Natural Resources	0.00	0.00	0.00	0.00	0.00		0.00
Interest on long-term debt	0.00	0.00	0.00	0.00	0.00		0.00
Miscellaneous	0.00	0.00	0.00	0.00	0.00		0.00
Unallocated costs	0.00	0.00	0.00	0.00	0.00		0.00
Total governmental activities	70,560.26	0.00	0.00	0.00	(70,560.26)		(70,560.26)
Business-type activities:							
Hospital						0.00	0.00
Water	144,205.73	161,140.52			16,934.79	16,934.79	16,934.79
Sewer	18,303.07	20,094.15			1,791.08	1,791.08	1,791.08
Solid Waste/Landfill					0.00	0.00	0.00
Ambulance					0.00	0.00	0.00
Airport					0.00	0.00	0.00
Gas/Electric					0.00	0.00	0.00
Total business-type activities	162,508.80	181,234.67	0.00	0.00	0.00	18,725.87	18,725.87
Total primary government	233,069.06	181,234.67	0.00	0.00	(70,560.26)	18,725.87	(51,834.39)
Component Units:							
Total component units	0.00	0.00	0.00	0.00		0.00	0.00
General revenues:							
Property taxes					33,143.72	0.00	33,143.72
Local option taxes					0.00	0.00	0.00
Licenses and permits					0.00	0.00	0.00
Unrestricted Federal/State shared revenues					20,448.22	29,294.95	49,743.17
Unrestricted grants and contributions					0.00	0.00	0.00
Unrestricted investment earnings					211.66	595.92	807.58
Miscellaneous					2,449.00		2,449.00
Gain on sale of capital assets					0.00	(7,859.07)	(7,859.07)
Transfers					0.00	0.00	0.00
Special/Extraordinary items					0.00	0.00	0.00
Total general revenues and transfers					56,252.60	22,031.80	78,284.40
Change in net position					(14,307.66)	40,757.67	26,450.01
Total net position - July 1, 2013 as previously reported					78,821.73	3,255,551.64	3,334,373.37
Prior period adjustments					0.00	0.00	0.00
Total net position - July 1, 2013 as restated					78,821.73	3,255,551.64	3,334,373.37
Total net position - June 30, 2014					64,514.07	3,296,309.31	3,360,823.38

TOWN OF MELSTONE BALANCE SHEET GOVERNMENTAL FUNDS FISCAL YEAR ENDING JUNE 30, 2014					
Account Number	Description	Fund #1000 General	Major Funds		Total Governmental Funds
			Fund #2820 Gas Tax	Other Governmental Funds	
ASSETS					
101000	Cash and cash equivalents	30,647.58	20,273.73	14,269.69	65,191.00
103000	Petty cash	25.00		0.00	25.00
101100	Investments			0.00	0.00
Restricted Assets:					
102200	Cash and cash equivalents			805.99	805.99
102300	Investments			0.00	0.00
106000	Valuation of investments to fair value			0.00	0.00
110000	Tax/assessment receivable (net of allowance for uncollectibles)	12,594.73		0.00	12,594.73
120000	Accounts/other receivables - (net of allowance for uncollectibles)			0.00	0.00
131000	Due from other funds			0.00	0.00
132000	Due from other governments			0.00	0.00
133000	Advances to other funds			0.00	0.00
140000	Prepaid expense			0.00	0.00
150000	Inventories			0.00	0.00
170000	Other debits			0.00	0.00
Total Assets		43,267.31	20,273.73	15,075.68	78,616.72
DEFERRED OUTFLOWS OF RESOURCES					
190000	Deferred Outflows of Resources	12,594.73		0.00	12,594.73
19xxxx	Deferred Outflows of Resources			0.00	0.00
Total Deferred Outflows of Resources		12,594.73	0.00	0.00	12,594.73
LIABILITIES					
201000	Warrants payable			0.00	0.00
202100	Accounts payable			0.00	0.00
203100	Judgments payable			0.00	0.00
204000	Contracts/loans/notes payable			0.00	0.00
205200	Matured interest payable			0.00	0.00
206100	Other accrued payables			0.00	0.00
211000	Due to other funds			0.00	0.00
212000	Due to other governments			0.00	0.00
214000	Deposits payable			0.00	0.00
216000	Revenues collected in advance			0.00	0.00
233000	Advances from other funds			0.00	0.00
Total Liabilities		0.00	0.00	0.00	0.00
DEFERRED INFLOWS OF RESOURCES					
220000	Deferred Inflows of Resources			0.00	0.00
223000	Deferred Inflows of Tax Revenues			0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	0.00
FUND BALANCES:					
250100	Non-spendable			0.00	0.00
	Inventory				0.00
250200	Restricted			0.00	0.00
	General government			5,673.51	5,673.51
	Public Safety				0.00
	Public Works		20,273.73		20,273.73
	Culture and Recreation				0.00
	Other: Capital Projects			805.99	805.99
260100	Committed			0.00	0.00
	General government				0.00
	Public Safety				0.00
	Public Works				0.00
	Culture and Recreation				0.00
	Other: Capital Projects			8,596.18	8,596.18
260200	Assigned			0.00	0.00
					0.00
					0.00
271000	Unassigned	30,672.58		0.00	30,672.58
Total Fund Balances		30,672.58	20,273.73	15,075.68	66,021.99
Total Liabilities, Deferred Inflows of Resources and Fund Balances		30,672.58	20,273.73	15,075.68	
Balance check (Should equal zero):		0.00	0.00	0.00	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					319.98
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred outflows of resources in the funds.					0.00
Internal service funds are used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.					
Current assets					0.00
Accounts payable					0.00
Net amount allocated to business-type/external activities					0.00
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(1,827.90)
Net position of governmental activities					64,514.07

TOWN OF MELSTONE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDING JUNE 30, 2014

Account Number	Description	Fund #1000 General	Major Funds		Total Governmental Funds
			Fund #2820 Gas Tax	Other Governmental Funds	
REVENUES					
310000/					
363000	Taxes/assessments	33,143.72		0.00	33,143.72
320000	Licenses and permits	0.00		0.00	0.00
330000	Intergovernmental revenues	14,026.62	6,421.60	0.00	20,448.22
340000	Charges for services	0.00		0.00	0.00
350000	Fines and forfeitures	0.00		0.00	0.00
360000	Miscellaneous	2,449.00		0.00	2,449.00
370000	Investment and royalty earnings	211.66		0.00	211.66
					0.00
	Total Revenues	49,831.00	6,421.60	0.00	56,252.60
EXPENDITURES					
Current:					
410000	General government	45,932.64	0.00	0.00	45,932.64
420000	Public safety	4,990.29		0.00	4,990.29
430000	Public works	6,425.57	9,654.50	0.00	16,080.07
440000	Public health	0.00		0.00	0.00
450000	Social and economic services	0.00		0.00	0.00
460000	Culture and recreation	3,711.22		0.00	3,711.22
470000	Housing and community development	0.00		0.00	0.00
480000	Conservation of natural resources	0.00		0.00	0.00
490000	Debt Service:				
	Principal	0.00		0.00	0.00
	Interest	0.00		0.00	0.00
					0.00
	Capital outlay	0.00		0.00	0.00
500000	Internal Services				0.00
510000	Miscellaneous	0.00		0.00	0.00
	Total Expenditures	61,059.72	9,654.50	0.00	70,714.22
	Excess of revenues (under) expenditures	(11,228.72)	(3,232.90)	0.00	(14,461.62)
OTHER FINANCING SOURCES (USES):					
381010/40	Bonds issued	0.00		0.00	0.00
381010/40	Discount on bonds issued	0.00		0.00	0.00
381050	Inception of capital lease	0.00		0.00	0.00
381070	Notes/loans/intercap issued	0.00		0.00	0.00
382010	Sale of capital assets	0.00		0.00	0.00
383000	Transfers In	0.00		805.99	805.99
521000	Transfers out (Enter as negative)	0.00		(805.99)	(805.99)
384000	Special items - revenue	0.00		0.00	0.00
385000	Extraordinary items - revenue	0.00		0.00	0.00
524000	Special items - expenditure (Negative)	0.00		0.00	0.00
525000	Extraordinary items - expenditure (Negative)	0.00		0.00	0.00
	Total other financing sources (uses)	0.00	0.00	0.00	0.00
	Net change in fund balances	(11,228.72)	(3,232.90)	0.00	(14,461.62)
	Fund balances - July 1, 2013 as previously reported	41,901.30	23,506.63	15,075.68	80,483.61
	Prior period adjustments	0.00		0.00	0.00
	Fund balances - July 1, 2013 as restated	41,901.30	23,506.63	15,075.68	80,483.61
	Fund balances - June 30, 2014	30,672.58	20,273.73	15,075.68	66,021.99

TOWN OF MELSTONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDING JUNE 30, 2014

Net change in fund balances - total governmental funds (page 16)	<u>(14,461.62)</u>
Amounts reported for governmental activities in the statement of activities (page) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	0.00
Depreciation expense	<u>(319.95)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	0.00
Proceeds from the sale of capital assets	<u>0.00</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Donated capital assets	
Long-term receivables (deferred revenue)	<u>0.00</u>
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position:	
Capital lease proceeds	0.00
Bond sale proceeds	<u>0.00</u>
Loan proceeds	<u>0.00</u>
Repayment of debt principal is and expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
Capital lease obligation principal payments	<u> </u>
Long-term loan/contract principal payments	<u> </u>
Long-term bond principal payments	<u> </u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance and data processing, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the government-wide statement of activities net of the amounts allocated to business-type activities and depreciation expense	
Change in net position	0.00
Net of amount allocated to business-type/external activities	<u>0.00</u>
Depreciation Expense	<u>0.00</u> 0.00
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences	<u>473.91</u>
	<u> </u>
Change in Net Position in Governmental Activities	<u><u>(14,307.66)</u></u>

**TOWN OF MELSTONE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDING JUNE 30, 2014**

		Business-Type Activities			
		Major Enterprise Funds			
Account Number	Description	Fund #5210 Water	Fund #5310 Sewer	Fund #5410 Solid Waste	Totals
ASSETS					
Current Assets					
101000	Cash and cash equivalents	156,254.19	2,216.93	658.45	159,129.57
103000	Petty cash	50.00			50.00
101100	Investments (at fair value)				0.00
110000	Tax/assessment receivable (net of allowance for uncollectibles)				0.00
120000	Accounts/other receivables - (net of allowance for uncollectibles)	7,911.61	1,705.41		9,617.02
131000	Due from other funds				0.00
132000	Due from other governments				0.00
141000	Prepaid expense				0.00
150000	Inventories				0.00
Total Current Assets		164,215.80	3,922.34	658.45	168,796.59
Noncurrent Assets					
Restricted Assets:					
102200	Cash and cash equivalents	12,384.00			12,384.00
102300	Investments				0.00
133000	Advances to other funds				0.00
170000	Other debits				0.00
180000	Capital assets:				
	Land	32,828.43	991.00		33,819.43
	Construction in progress				0.00
	Buildings				0.00
	Improvements other than buildings		31,403.50		31,403.50
	Machinery and equipment	8,626.65			8,626.65
	Infrastructure (utility systems)	3,850,823.38			3,850,823.38
	Less: accumulated depreciation	(553,814.80)	(28,880.70)		(582,695.50)
	Capital assets - net of accumulated depreciation	3,338,463.66	3,513.80	0.00	3,341,977.46
Total Noncurrent Assets		3,350,847.66	3,513.80	0.00	3,354,361.46
Total Assets		3,515,063.46	7,436.14	658.45	3,523,158.05
DEFERRED OUTFLOWS OF RESOURCES					
190000	Deferred Outflows of Resources				0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	0.00
LIABILITIES					
Current Liabilities					
202100	Accounts payable				0.00
203100	Judgments payable				0.00
204000	Contracts/loans/notes payable	223,196.24			223,196.24
205200	Matured interest payable				0.00
206100	Other accrued payables				0.00
209100	Compensated absences				0.00
211000	Due to other funds				0.00
212000	Due to other governments				0.00
214000	Deposits payable				0.00
216000	Revenues collected in advance				0.00
Total Current Liabilities		223,196.24	0.00	0.00	223,196.24
Noncurrent Liabilities					
231000	Bonds payable				0.00
233000	Advance from other funds				0.00
234000	Judgments payable				0.00
235000	Contracts/loans/notes payable				0.00
236000	Closure/postclosure care costs				0.00
238000	OPEB Liability				0.00
239000	Compensated absences	1,826.25	1,826.25		3,652.50
Total Noncurrent Liabilities		1,826.25	1,826.25	0.00	3,652.50
Total Liabilities		225,022.49	1,826.25	0.00	226,848.74
DEFERRED INFLOWS OF RESOURCES					
220000	Deferred Inflows of Resources				0.00
22xxxx	Deferred Inflows of Resources				0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	0.00
NET POSITION					
Net Investment in Capital Assets		3,115,267.42	3,513.80	0.00	3,118,781.22
Restricted for:					0.00
					0.00
					0.00
Unrestricted		174,773.55	2,096.09	658.45	177,528.09
Total Net Position		3,290,040.97	5,609.89	658.45	3,296,309.31
<i>Balance check (Should equal zero):</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	
Reconciliation to government-wide statement of net position Adjustment to reflect the consolidations of internal serv activities related to enterprise funds					
Net position of business-type activities					3,296,309.31

TOWN OF MELSTONE						
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION						
PROPRIETARY FUNDS						
FISCAL YEAR ENDING JUNE 30, 2014						
Account Number	Description	Business-Type Activities			Totals	Governmental
		Major Enterprise Funds				Internal
		Fund #5210 Water	Fund #5310 Sewer	Fund #5410 Solid Waste		Service
OPERATING REVENUES						
340000	Charges for services	161,140.52	20,094.15		181,234.67	0.00
360000	Miscellaneous revenues				0.00	0.00
363000	Special assessments				0.00	0.00
					0.00	
	Total Operating Revenues	161,140.52	20,094.15	0.00	181,234.67	0.00
OPERATING EXPENSES						
100	Personal services	11,573.88	11,525.67		23,099.55	0.00
200	Supplies	15,579.88	2,216.50		17,796.38	0.00
300	Purchased services	29,134.34	4,412.50		33,546.84	0.00
400	Building materials				0.00	0.00
500	Fixed charges	1,850.00			1,850.00	0.00
810	Loss/Bad debt expense				0.00	0.00
830	Depreciation	77,016.46	148.40		77,164.86	0.00
					0.00	
	Total Operating Expenses	135,154.56	18,303.07	0.00	153,457.63	0.00
	Operating Income (Loss)	25,985.96	1,791.08	0.00	27,777.04	0.00
NONOPERATING REVENUES (EXPENSES)						
310000	Taxes/assessment revenue				0.00	0.00
320000	Licenses/permits revenue				0.00	0.00
330000	Intergovernmental revenue	29,294.95			29,294.95	0.00
371000	Interest revenue	525.10	70.82		595.92	0.00
382030	Gain/Loss on Sale of Capital Assets (Loss is negative)	(7,859.07)			(7,859.07)	0.00
490000	Debt service interest expense (Enter as negative)	(9,051.17)			(9,051.17)	0.00
384000	Special items - revenue				0.00	0.00
385000	Extraordinary items - revenue				0.00	0.00
524000	Special items - expense (enter as negative)				0.00	0.00
525000	Extraordinary items - expense (enter as negative)				0.00	0.00
	Total Non-Operating Revenues (Expenses)	12,909.81	70.82	0.00	12,980.63	0.00
	Income (Loss) before contributions and transfers	38,895.77	1,861.90	0.00	40,757.67	0.00
	Capital contributions				0.00	0.00
	Transfers in (out)				0.00	0.00
	Change in net position	38,895.77	1,861.90	0.00	40,757.67	0.00
	Total net position - July 1, 2013 as previously reported	3,257,145.20	(2,252.01)	658.45	3,255,551.64	0.00
	Prior period adjustments	(6,000.00)	6,000.00		0.00	0.00
	Total net position - July 1, 2013 as restated	3,251,145.20	3,747.99	658.45	3,255,551.64	0.00
	Total net position - June 30, 2014	3,290,040.97	5,609.89	658.45	3,296,309.31	0.00
Reconciliation to government-wide statement of activities:						
Adjustment to reflect the consolidation of internal service fund						
activities related to enterprise funds						
Change in net position of business-type activities					40,757.67	

TOWN OF MELSTONE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDING JUNE 30, 2014

Description	Business-Type Activities			Totals
	Major Enterprise Funds			
	Fund #5210 Water	Fund #5310 Sewer	Fund #5410 Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	160,156.03	19,701.45	0.00	179,857.48
Cash paid to suppliers	(46,564.22)	(6,629.00)	0.00	(53,193.22)
Cash paid to employees	(10,940.07)	(11,912.04)	0.00	(22,852.11)
Cash received from interfund services provided	6,000.00	0.00		6,000.00
Cash paid for interfund services used				0.00
Net cash provided (used) by operating activities	108,651.74	1,160.41	0.00	109,812.15
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	0.00	0.00	0.00	0.00
Advances from (to) other funds				0.00
Subsidies from taxes and other governments	29,294.95	0.00	0.00	29,294.95
Net cash provided (used) by capital and related financing activities	29,294.95	0.00	0.00	29,294.95
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from debt				0.00
Capital contributions	0.00	0.00	0.00	0.00
Purchases/acquisition/construction of capital assets	(32,077.95)			(32,077.95)
Principal on debt (Enter as a negative)	(3,332.83)			(3,332.83)
Interest paid on debt (Negative)	(9,051.17)	0.00	0.00	(9,051.17)
Capital lease down payment				0.00
Proceeds from sales of capital assets				0.00
Net cash provided (used) by capital and related financing activities	(44,461.95)	0.00	0.00	(44,461.95)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	525.10	70.82	0.00	595.92
Net cash provided (used) by investing activities	525.10	70.82	0.00	595.92
Net increase (decrease) in cash and cash equivalents	94,009.84	1,231.23	0.00	95,241.07
Cash and cash equivalents - July 1, 2013	74,678.35	985.70	658.45	76,322.50
Cash and cash equivalents - June 30, 2014	168,688.19	2,216.93	658.45	171,563.57
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	25,985.96	1,791.08	0.00	27,777.04
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	77,016.46	148.40	0.00	77,164.86
(Increase) Decrease in accounts receivable	139.99	(392.70)		(252.71)
(Increase) Decrease in intergovernmental receivables	6,000.00			6,000.00
(Increase) Decrease in due from other funds	See Below			0.00
Increase (decrease) in accounts payable				0.00
Increase (decrease) in compensated absences pay.	(490.67)	(386.37)		(877.04)
Increase (decrease) in intergovernmental payables				0.00
Increase (decrease) in due to other funds		See Below		0.00
Total adjustments	82,665.78	(630.67)	0.00	82,035.11
Net cash provided (used) by operating activities	108,651.74	1,160.41	0.00	109,812.15
Noncash investing, capital, and financing activities:				
Interfund loan forgiven	(6,000.00)	6,000.00		0.00

TOWN OF MELSTONE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDING JUNE 30, 2014

Account Number	Description	Trust Funds			Agency Funds
		Pension Trust Funds (7000-7005)	Investment Trust Funds (7006-7009)	Private Purpose Trust Funds (7010-7099)	Agency Composite (7100-7999)
	ASSETS				
101000	Cash and cash equivalents				4,835.36
	Receivables:				
110000	Tax/assessment receivable (net of allowance for uncollectibles)				
120000	Accounts/other receivables - (net of allowance for uncollectibles)				
128000	Interest receivable				
101100	Investments (at fair value)				
	Total Assets	0.00	0.00	0.00	4,835.36
190000	Deferred Outflows of Resources				
	LIABILITIES				
201100	Warrants payable				4,838.16
202100	Accounts payable				
203100	Judgments payable				
204100	Contracts payable				
211000	Due to other funds				
212000	Due to other governments				(2.80)
216000	Revenues Collected in Advance				
	Total Liabilities	0.00	0.00	0.00	4,835.36
220000	Deferred Inflows of Resources				
	NET POSITION				
	Held in trust for pension benefits and other	0.00	0.00	0.00	

SCHEDULE C
REPORT OF FINDINGS AND RECOMMENDATIONS RESULTING
FROM PERFORMING THE ABOVE AGREED-UPON PROCEDURES
for the
Fiscal Year Ended June 30, 2014

FINDING NUMBER 1 BEGINNING NET POSITION 2014:

Criteria: Agreed upon procedure "a" requires beginning net position and fund balance amounts reported on the government-wide and fund financial statements agree to related ending net position and fund balance amounts on prior-year financial statements. Condition: The statement of activities - governmental activities column fiscal year 2013 ending fund balances did not agree to the fiscal year 2014 beginning fund balance. Context: The statement of activities - governmental column balance is \$13,289 lower than the prior-year ending fund balance. Effect: The effect would be an error in reporting on the Town's annual financial report. Cause: This was caused by errors in reporting prior-year taxes receivable. Recommendation: We recommend that the Town verify prior-year ending fund balances with current year beginning fund balances on its annual financial report.

FINDING NUMBER 2 CASH DEPOSITS 2014:

Criteria: Agreed upon procedure "c" requires cash receipts be deposited intact on a timely (at least weekly) basis with a financial institution. Condition: The Town makes deposits biweekly. Context: The Town has not met the State of Montana's requirement to make at least weekly deposits with a financial institution. Effect: The effect is noncompliance with state agreed upon procedures. Cause: This is caused by a 33 mile one way trip to a financial institution. Recommendation: We recommend the Town request an exemption from the state of this requirement due to the mileage to a financial institution.

FINDING NUMBER 3 REPORT COMPARING BUDGET TO ACTUAL 2014:

Criteria: Agreed upon procedure "g" requires the Town council receive a report comparing budget revenue and budgeted appropriations with the year to date actual revenues and actual expenditures on a monthly basis. Condition: The Town was not receiving the required report on a monthly basis in fiscal year 2014. Context: The Town council received this report near the end of the year in fiscal year 2014. Effect: The effect is the Town did not comply with this agreed upon procedure in fiscal year 2014. Cause: The Town was not aware of this requirement. Recommendation: We recommend the Town council receive this report at its monthly meetings in the future.

FINDING NUMBER 4 OVER BUDGET 2014:

Criteria: Agreed upon procedure "i" and state codes MCA 7-6-4005 and 7-6-4033 require that each governmental fund not exceed its budgeted authority. Condition: The Town general fund exceeded its approved budget. Context: The general fund exceeded its approved budget by \$4,210. Effect: The effect is noncompliance with state code. Cause: This was caused by the Town incurring \$18,000 more than budgeted in financial services expenditures to balance its books. Recommendation: We recommend the Town process a budget amendment when expenditures are going to exceed the approved budget.

FINDING NUMBER 5 TAX REVENUE VARIANCES 2014:

Criteria: Agreed upon procedures "j,5" requires we multiply the Government's taxable valuation with the total mills levied, compared the results of this calculation with total property tax revenue recorded in the accounting records, and noted any variances of 5% or greater. Condition: The calculated property tax compared to recorded property tax exceeded the 5% variance. Context: The calculated property tax was \$31,686. Actual property tax reported on the Annual Financial Report was \$23,429, showing a variance of \$8,257 for a 26.0%. Due to an error in documentation by the County to the town, the town reported \$4,804 to County Option Tax instead of to Property Tax accounting for 11.04% of the 26.0% noted above. So the town is still showing a net variance as follows:

• Calculated	Actual	Variance	%
\$31,686	\$28,233	\$3,453	10.9%

Effect: The effect is this finding in the agreed upon procedures report. Cause: This was caused by not all property owners paying their taxes on a timely basis. Recommendation: No recommendation is needed.