

CITY OF PLENTYWOOD, MONTANA

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**CITY OF PLENTYWOOD, MONTANA  
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JUNE 30, 2014**

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**CITY OF PLENTYWOOD, MONTANA  
ORGANIZATION  
JUNE 30, 2014**

**CITY COUNCIL**

John H. Kemp, Jr	Alderman
Randy Rice	Alderman
James Maus	Alderman
Jon Rice	Alderman

**OFFICIALS**

Don Jensen	Mayor
Kelly Thiel	Clerk
Frank French	Treasurer
John Hunt	City Attorney
Curt Petrik	City Magistrate

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The Government Accounting Standards Board issues accounting standards for financial information and financial statements which local governments are required to present under generally accepted accounting principles.

This section of the City of Plentywood's annual financial report presents our discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2014. In order to fully understand the financial statements, the reader should first review this management discussion and analysis.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Plentywood exceeded its liabilities at the close of fiscal year 2013-2014 by \$6,787,702 (net position). Of that amount, \$3,526,395 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$674,071 in fiscal year 2014. Governmental activities increased by \$250,604 and the Business-type activities position increased by \$423,467.
- The City retired \$83,300.00 of total long-term debt, which was the DNRC notes payable.
- The City issued \$1,537,300 in revenue bonds for sewage lagoon improvements.

**USING THIS ANNUAL REPORT**

This annual report consists of financial statements for the City as a whole with more detailed information for certain City funds. The Statement of Net Position and the Statement of Activities on pages 10 and 11 provide information about the activities of the City as a whole and present a long-term view of the City's finances (including capital assets and long-term liabilities).

The governmental fund financial statements present a short-term view of the City's activities and are presented on pages 12 – 13. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Fund information for the City's enterprise funds (water, sewer, and garbage) are presented on pages 15 - 17. Generally accepted accounting principles require that detail information about major funds be separately disclosed.

**THE CITY AS A WHOLE**

One important question asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps to answer this question.

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net position over time is one indicator of whether the City's financial health is improving or deteriorating. However, there are other non-financial factors that influence the City's overall health, such as changes in the economy and changes in the City's tax base, etc.

Changes in governmental activities assets and liabilities were as follows:

Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current assets	\$ 1,688,204	\$ 1,562,745	\$ 125,459
Noncurrent assets	<u>1,747,379</u>	<u>1,623,697</u>	<u>123,682</u>
Total assets	3,435,583	3,186,442	249,141
Current liabilities	14,100	14,104	(4)
Noncurrent liabilities	<u>7,593</u>	<u>9,052</u>	<u>(1,459)</u>
Total liabilities	21,693	23,156	(1,463)
Net investment in capital assets	1,542,379	1,511,197	31,182
Restricted net position	73,160	67,107	6,053
Unrestricted net position	<u>1,798,351</u>	<u>1,584,982</u>	<u>213,369</u>
Total net position	<u>\$ 3,413,890</u>	<u>\$ 3,163,286</u>	<u>\$ 250,604</u>

The change in net position for the governmental activities is due to revenues exceeding expenditures in the current year. Expenditures for public works and culture and recreation were down significantly from the prior year.

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

Changes in governmental activities revenues and expenses were as follows:

	Governmental Activities		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues</b>			
Property taxes	\$ 452,260	\$ 429,165	\$ 23,095
Intergovernmental revenue	418,405	355,602	62,803
Other	13,539	11,336	2,203
Program revenue			
Charges for services	36,718	40,354	(3,636)
Operating grants	65,000	79,245	(14,245)
<b>Total Revenue</b>	<b>\$ 985,922</b>	<b>\$ 915,702</b>	<b>\$ 70,220</b>
<b>Expenses</b>			
General government	\$ 138,778	132,786	5,992
Public safety	215,352	216,672	(1,320)
Public works	194,257	254,760	(60,503)
Public health	291	227	64
Culture & recreation	146,172	166,952	(20,780)
Miscellaneous	40,468	40,125	343
<b>Total expenses</b>	<b>\$ 735,318</b>	<b>\$ 811,522</b>	<b>\$ (76,204)</b>
Increase (decrease) in net position	250,604	104,180	146,424
Beginning net position	<u>3,163,286</u>	<u>3,059,106</u>	<u>104,180</u>
Ending net position	<u>\$ 3,413,890</u>	<u>\$ 3,163,286</u>	<u>\$ 250,604</u>

The City experienced a decrease in Program Revenues and an increase in General Revenues which resulted in an 8% overall increase in total governmental revenues. Expenses for public works and culture and recreation were down substantially because fewer repair costs were incurred in the current year. We experienced another year of decreased Investment Earnings due to low interest rates on our investments. Total governmental activities expenses increased 9% this year.

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

Changes in business-type activities assets and liabilities were as follows:

	Business-type Activities		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current assets	\$ 2,505,856	\$ 1,951,940	\$ 553,916
Noncurrent assets	<u>3,474,562</u>	<u>2,126,763</u>	<u>1,347,799</u>
Total assets	5,980,418	4,078,703	1,901,715
Current liabilities	167,810	96,583	71,227
Noncurrent liabilities	<u>2,438,796</u>	<u>1,031,775</u>	<u>1,407,021</u>
Total liabilities	2,606,606	1,128,358	1,478,248
Net investment in capital assets	940,562	1,159,263	(218,701)
Restricted net position	705,206	531,858	173,348
Unrestricted net position	<u>1,728,044</u>	<u>1,259,224</u>	<u>468,820</u>
Total net position	<u>\$ 3,373,812</u>	<u>\$ 2,950,345</u>	<u>\$ 423,467</u>

Net position increased because the City proprietary funds all had revenue that exceeded expenses. The City worked on rehabilitating the lagoon cells this during the year, which accounted for most of the increase in capital assets and long-term debt. A DNRC loan was received to fund the sewer project so the City was required to maintain rates sufficient to fund the new revenue bond payments. Another garbage truck was purchased at a total cost of \$119,815.

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

Changes in business-type activities revenues and expenses were as follows:

	Business-type Activities		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues</b>			
Charges for services	\$ 1,082,643	\$ 1,130,891	\$ (48,248)
Investment earnings	2,292	3,537	(1,245)
Total Revenue	<u>\$ 1,084,935</u>	<u>\$ 1,134,428</u>	<u>\$ (49,493)</u>
<b>Expenses</b>			
Water	\$ 300,071	\$ 309,183	\$ (9,112)
Sewer	163,976	127,271	36,705
Solid waste	199,888	179,543	20,345
Total expenses	<u>\$ 663,935</u>	<u>\$ 615,997</u>	<u>\$ 47,938</u>
Increase (decrease) in net position	\$ 421,000	\$ 518,431	\$ (97,431)
Beginning net position	2,950,345	2,431,914	518,431
Prior period adjustments	2,467	0	2,467
Ending net position	<u>\$ 3,373,812</u>	<u>\$ 2,950,345</u>	<u>\$ 423,467</u>

Water Fund expenses decreased largely because interest expense decreased. Sewer Fund expenses increased because of higher personnel and repair costs. Solid Waste Fund expenses increased due to higher personnel costs. The overall Change in Net Position increased considerably because the City maintained the increased sewer rates to fund the Bio-Sludge Removal and Disposal of the two lagoon cells.

**CAPITAL ASSETS**

The City of Plentywood's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2014 was \$5,221,941.

The Governmental Fixed Assets increased \$31,182 due to the following purchases: a liner for the Sherwood Pool, sidewalk improvements and a sand shed.

The Proprietary Fixed Assets increased \$1,440,299 due to the following purchases: a Peterbilt garbage truck and capital improvements to the sewage lagoon.

**City of Plentywood, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**DEBT ADMINISTRATION**

Long-Term debt for both governmental and business-type activities was \$2,534,000 as of June 30, 2014. This amount increased due to the issuance of a revenue bond to finance work on the sewage lagoon. Compensated absences as of June 30, 2014 was \$63,967 which included an increase of \$5,140.

**MAJOR FUND DETERMINATION**

It was determined that the Sherwood Park Fund, Water Enterprise Fund, Sewer Enterprise Fund, and Solid Waste Enterprise Fund are major funds for the City of Plentywood and have been reported in this annual report as major. The All Purpose General Fund is always to be reported as a major fund. Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined.

**THE FUTURE OF THE CITY**

The City of Plentywood is in good financial position; the taxable valuation has increased slightly (.45%). Mill levies grew at the allowed rate and the City remains conservative in our approach to expenditures in the General Fund. Our planned capital expenditures for fiscal year 2014-2015 in the General Fund are to replace the sidewalk in front of City Hall using CTEP funds, repair the roof on the old sand shed, repair the roof on the city shop, and purchase three new score boards for the baseball fields. The Water Operating Fund's capital expenditure plan for fiscal year 2014-2015 will be to install a VFD Water Booster Station to increase water pressure on the north hill area of town at a cost of around \$400,000. Capital expenditures for the Sewer Operating Fund are on hold while the City Council explores various options for the sludge removal at the lagoon and the replacement of sewer mains.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have any questions about this report or need additional financial information, contact the City Clerk of the City of Plentywood, at 205 W First Avenue, Plentywood, MT 59254.

## Independent Auditor's Report

To the City Council  
City of Plentywood  
Plentywood, Montana

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Plentywood (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of federal expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 30, 2015, on my consideration of the City's internal control over financial reporting and on my 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 my 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 City's internal control over financial reporting and compliance.

Philip Emmons, CPA  
Miles City, MT

March 30, 2015

**City of Plentywood, Montana**  
**Statement of Net Position**  
**June 30, 2014**

<b>ASSETS</b>	Governmental Activities	Business-Type Activities	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,588,128	\$ 1,657,743	\$ 3,245,871
Accounts receivable, net of allowance for uncollectibles		64,025	64,025
Taxes/assessments receivable, net of allowance for uncollectibles	27,625		27,625
Accrued interest receivable		241	241
Due from other governments		108,260	108,260
Inventory		78,641	78,641
<b>Restricted</b>			
Cash and cash equivalents	72,173	596,946	669,119
Taxes/assessments receivable, net of allowance for uncollectibles	278		278
<b>Total current assets</b>	<b>1,688,204</b>	<b>2,505,856</b>	<b>4,194,060</b>
Interfund receivable/payable	205,000	(205,000)	0
Land	84,850		84,850
Capital assets, net of accumulated depreciation	1,457,529	3,679,562	5,137,091
<b>Total noncurrent assets</b>	<b>1,747,379</b>	<b>3,474,562</b>	<b>5,221,941</b>
<b>Total assets</b>	<b>\$ 3,435,583</b>	<b>\$ 5,980,418</b>	<b>\$ 9,416,001</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest payable	\$	\$ 30,332	\$ 30,332
Compensated absences - current portion	14,100	27,478	41,578
Note payable - current portion		110,000	110,000
<b>Total current liabilities</b>	<b>14,100</b>	<b>167,810</b>	<b>181,910</b>
<b>Non-current liabilities</b>			
Compensated absences	7,593	14,796	22,389
Note payable		2,424,000	2,424,000
<b>Total noncurrent liabilities</b>	<b>7,593</b>	<b>2,438,796</b>	<b>2,446,389</b>
<b>Total liabilities</b>	<b>\$ 21,693</b>	<b>\$ 2,606,606</b>	<b>\$ 2,628,299</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,542,379	\$ 940,562	\$ 2,482,941
<b>Restricted</b>			
Public works	58,162		58,162
Capital projects	14,011	108,260	122,271
Culture and recreation	987		987
Reserve		50,669	50,669
Reserve account - future years payments		178,807	178,807
Repair and replacement		367,470	367,470
<b>Unrestricted</b>	<b>1,798,351</b>	<b>1,728,044</b>	<b>3,526,395</b>
<b>Total net position</b>	<b>\$ 3,413,890</b>	<b>\$ 3,373,812</b>	<b>\$ 6,787,702</b>

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue		Total
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
<b>Government operations</b>						
General government	\$ 138,778	\$ 6,824	\$	\$ (131,954)		\$ (131,954)
Public safety	215,352	12,021		(203,331)		(203,331)
Public works	194,257			(194,257)		(194,257)
Public health	291			(291)		(291)
Culture & recreation	146,172	17,873	65,000	(63,299)		(63,299)
Miscellaneous	40,468			(40,468)		(40,468)
Total government activities	<u>\$ 735,318</u>	<u>\$ 36,718</u>	<u>\$ 65,000</u>	<u>\$ (633,600)</u>		<u>\$ (633,600)</u>
<b>Business-Type Activities</b>						
Water	\$ 300,071	\$ 414,813	\$	\$	\$ 114,742	\$ 114,742
Sewer	163,976	437,724			273,748	273,748
Solid waste	199,888	230,106			30,218	30,218
Total business-type activities	<u>\$ 663,935</u>	<u>\$ 1,082,643</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 418,708</u>	<u>\$ 418,708</u>
<b>General revenues</b>						
Property taxes				\$ 452,260	\$	\$ 452,260
Intergovernmental revenue				418,405		418,405
Licenses and permits				4,459		4,459
Miscellaneous revenue				4,513		4,513
Unrestricted investment earnings				4,567	2,292	6,859
Total general revenues				<u>\$ 884,204</u>	<u>\$ 2,292</u>	<u>\$ 886,496</u>
Increase (decrease) in net position				\$ 250,604	\$ 421,000	\$ 671,604
<b>Net position</b>						
Beginning of year				3,163,286	2,950,345	6,113,631
Prior period adjustments					2,467	2,467
End of year				<u>\$ 3,413,890</u>	<u>\$ 3,373,812</u>	<u>\$ 6,787,702</u>

**City of Plentywood, Montana**  
**Balance Sheet - Governmental Funds**  
**June 30, 2014**

	Major Funds		Other	Total
	General Fund	Sherwood Park Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,526,905	\$ 61,223	\$	\$ 1,588,128
Taxes/assessments receivable, net of allowance for uncollectibles	27,625			27,625
Due from other funds	205,000			205,000
Restricted				
Cash and cash equivalents			72,173	72,173
Taxes/assessments receivable, net of allowance for uncollectibles			278	278
<b>Total assets</b>	<b>\$ 1,759,530</b>	<b>\$ 61,223</b>	<b>\$ 72,451</b>	<b>\$ 1,893,204</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable taxes	\$ 27,625	\$	\$ 278	\$ 27,903
<b>Total deferred inflows of resources</b>	<b>\$ 27,625</b>	<b>\$ 0</b>	<b>\$ 278</b>	<b>\$ 27,903</b>
<b>FUND BALANCE</b>				
Restricted				
Public works	\$	\$	\$ 58,162	\$ 58,162
Public safety			14,011	14,011
Culture and recreation	987			987
Committed				
Culture and recreation		61,223		61,223
Unassigned	1,730,918			1,730,918
<b>Total fund balance</b>	<b>\$ 1,731,905</b>	<b>\$ 61,223</b>	<b>\$ 72,173</b>	<b>\$ 1,865,301</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,759,530</b>	<b>\$ 61,223</b>	<b>\$ 72,451</b>	<b>\$ 1,893,204</b>
Reconciliation to the Statement of Net Position:				
Total fund balance from above			\$	1,865,301
Add capital assets, net of accumulated depreciation not reported above				1,542,379
Less compensated absences				(21,693)
Deferred inflows of resources for property taxes recognized as revenue in the government wide statements				27,903
			Net position \$	<b>3,413,890</b>

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2014**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Sherwood Park Fund		
<b>Revenues</b>				
Taxes and assessments	\$ 446,058	\$	\$	\$ 446,058
Licenses and permits	4,459			4,459
Intergovernmental revenue	375,271	65,000	43,134	483,405
Charges for services	6,824	17,873		24,697
Fines and forfeitures	12,021			12,021
Miscellaneous revenue		4,513		4,513
Investment and royalty earnings	4,566	1		4,567
Total revenue	849,199	87,387	43,134	979,720
<b>Expenditures</b>				
Current operations				
General government	\$ 111,463	\$	\$	\$ 111,463
Public safety	204,904			204,904
Public works	139,515		37,791	177,306
Public health	291			291
Culture & recreation	53,057	73,534		126,591
Miscellaneous	40,468			40,468
Total current charges	549,698	73,534	37,791	661,023
Capital outlay	37,639	69,301		106,940
Total expenditures	587,337	142,835	37,791	767,963
Excess (Deficiency) of revenue over expenditures	\$ 261,862	\$ (55,448)	\$ 5,343	\$ 211,757
Other financing sources (uses)				
Resources transfer (to) from other funds	\$ (35,000)	\$ 35,000	\$	\$ 0
Net change in fund balance	\$ 226,862	\$ (20,448)	\$ 5,343	\$ 211,757
Beginning fund balance	1,505,043	81,671	66,830	1,653,544
Ending fund balance	\$ 1,731,905	\$ 61,223	\$ 72,173	\$ 1,865,301

See Accompanying Notes to the Financial Statements

**City of Plentywood, 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**

Net change in fund balance	\$ 211,757
Revenues on the government-wide statement of activities not reflected in revenue in the governmental funds statement:	
Increase (decrease) in property taxes receivable	6,202
Expenditures on the government-wide statement not reported on the government funds statement:	
Depreciation	(75,758)
(Increase) decrease in compensated absences	1,463
Expenditures on the government funds statement not reported on the government-wide statement:	
Capital outlays	106,940
Change in net position on the government-wide statement of activity	\$ 250,604

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities			
	Major Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 778,279	\$ 763,250	\$ 116,214	\$ 1,657,743
Accounts receivable, net of allowances	19,336	29,242	15,447	64,025
Accrued interest receivable	241			241
Inventory	74,953	3,688		78,641
Restricted				
Cash and cash equivalents	505,221	91,725		596,946
Due from other governments		108,260		108,260
Total current assets	<u>1,378,030</u>	<u>996,165</u>	<u>131,661</u>	<u>2,505,856</u>
Capital assets, net of accumulated depreciation	<u>1,671,061</u>	<u>1,726,251</u>	<u>282,250</u>	<u>3,679,562</u>
Total noncurrent assets	<u>1,671,061</u>	<u>1,726,251</u>	<u>282,250</u>	<u>3,679,562</u>
Total assets	<u>\$ 3,049,091</u>	<u>\$ 2,722,416</u>	<u>\$ 413,911</u>	<u>\$ 6,185,418</u>
<b>LIABILITIES</b>				
Current liabilities				
Interest payable	\$ 13,779	\$ 16,553	\$	\$ 30,332
Compensated absences - current portion	11,108	11,108	5,262	27,478
Notes payable - current portion	<u>64,000</u>	<u>46,000</u>	<u></u>	<u>110,000</u>
Total current liabilities	<u>88,887</u>	<u>73,661</u>	<u>5,262</u>	<u>167,810</u>
Noncurrent liabilities				
Due to other funds			205,000	205,000
Compensated absences	5,981	5,981	2,834	14,796
Notes payable	<u>956,000</u>	<u>1,468,000</u>	<u></u>	<u>2,424,000</u>
Total noncurrent liabilities	<u>961,981</u>	<u>1,473,981</u>	<u>207,834</u>	<u>2,643,796</u>
Total liabilities	<u>\$ 1,050,868</u>	<u>\$ 1,547,642</u>	<u>\$ 213,096</u>	<u>\$ 2,811,606</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 651,061	\$ 212,251	\$ 77,250	\$ 940,562
Restricted				
Reserve	42,039	8,630		50,669
Reserve account - future years payments	95,712	83,095		178,807
Repair and Replacement	367,470			367,470
Capital projects		108,260		108,260
Unrestricted net position	<u>841,941</u>	<u>762,538</u>	<u>123,565</u>	<u>1,728,044</u>
Total net position	<u>\$ 1,998,223</u>	<u>\$ 1,174,774</u>	<u>\$ 200,815</u>	<u>\$ 3,373,812</u>

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities			
	Major Enterprise Funds			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
<b>Operating Revenues</b>				
Charges for services	\$ 414,813	\$ 437,724	\$ 230,106	\$ 1,082,643
Total operating revenues	\$ 414,813	\$ 437,724	\$ 230,106	\$ 1,082,643
<b>Operating Expenses</b>				
Personnel services	\$ 99,416	\$ 97,343	\$ 109,917	\$ 306,676
Supplies	62,959	14,884	40,217	118,060
Purchased services	13,257	9,234	4,215	26,706
Utilities	39,187	5,931	5,399	50,517
Depreciation	57,308	18,011	40,140	115,459
Total operating expenses	\$ 272,127	\$ 145,403	\$ 199,888	\$ 617,418
Total operating income (loss)	\$ 142,686	\$ 292,321	\$ 30,218	\$ 465,225
<b>Non-Operating Revenue (Expense)</b>				
Interest income	\$ 2,050	\$ 238	\$ 4	\$ 2,292
Interest expense	(27,944)	(18,573)	4	(46,517)
Total non-operating revenue (expense)	\$ (25,894)	\$ (18,335)	\$ 4	\$ (44,225)
Income (loss) before capital contributions and transfers	\$ 116,792	\$ 273,986	\$ 30,222	\$ 421,000
Increase (decrease) in net position	\$ 116,792	\$ 273,986	\$ 30,222	\$ 421,000
<b>Net position</b>				
Beginning of year	1,878,964	900,788	170,593	2,950,345
Prior period adjustments	2,467			2,467
End of year	\$ 1,998,223	\$ 1,174,774	\$ 200,815	\$ 3,373,812

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities			
	Major Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 416,063	\$ 438,782	\$ 230,596	\$ 1,085,441
Cash paid to suppliers	(115,405)	(30,051)	(49,831)	(195,287)
Personal services - salaries	(98,311)	(94,966)	(106,796)	(300,073)
Net cash provided (used) by operating activities	\$ 202,347	\$ 313,765	\$ 73,969	\$ 590,081
<b>Cash Flows from Investing Activities</b>				
Proceed from sales of investments	\$	\$ 194	\$ 196	\$ 390
Purchase of investments	(256)			(256)
Interest earnings	2,052	238	4	2,294
Net cash provided (used) by investing activities	\$ 1,796	\$ 432	\$ 200	\$ 2,428
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases/acquisition/construction of capital assets	\$ (6,903)	\$ (1,429,040)	\$ (119,815)	\$ (1,555,758)
Proceeds from debt		1,429,040		1,429,040
Principal on debt	(60,000)	(23,300)		(83,300)
Interest	(24,369)	(2,020)		(26,389)
Proceeds from Oil and Gas Severance Fund Loan			130,000	130,000
Repayment on Oil and Gas Severance Fund Loan			(37,500)	(37,500)
Net cash provided by capital and related financing activities	\$ (91,272)	\$ (25,320)	\$ (27,315)	\$ (143,907)
Net increase (decrease) in cash	\$ 112,871	\$ 288,877	\$ 46,854	\$ 448,602
Cash balance, Beginning of Year	1,170,629	566,098	69,360	1,806,087
Cash balance, End of Year	\$ 1,283,500	\$ 854,975	\$ 116,214	\$ 2,254,689
<b>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities</b>				
Operating income (loss)	\$ 142,686	\$ 292,321	\$ 30,218	\$ 465,225
Adjustments to reconcile operating income to net cash provided by operating activities				
(Increase) decrease in accounts receivable, net	1,248	1,056	490	2,794
Increase (decrease) in compensated absences	1,105	2,377	3,121	6,603
Depreciation expense	57,308	18,011	40,140	115,459
Total adjustments	59,661	21,444	43,751	124,856
Net cash provided (used) by operating activities	\$ 202,347	\$ 313,765	\$ 73,969	\$ 590,081

**City of Plentywood, Montana**  
**Statement of Fiduciary Net Position**  
**As of and For the Year Ended June 30, 2014**

		<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$	8,017
Taxes receivable, net of allowance for uncollectibles		<u>1,224</u>
Total assets	\$	<u><u>9,241</u></u>
<b>Liabilities</b>		
Due to other governments	\$	<u>9,241</u>
Total assets	\$	<u><u>9,241</u></u>
<b>Net Position</b>		
Total net position	\$	<u><u>0</u></u>

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Plentywood, Montana was incorporated September 4, 1912, under the provisions of Montana Municipal Statutes. The City operates under a council-mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, health, recreation, public improvements and general administrative services. Other services include water, sewer, and solid waste disposal.

The financial statements of the City of Plentywood (The City) are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**1.a REPORTING ENTITY**

The City is governed by an elected Mayor and a four member City Council and is considered to be the primary government. The City, for financial purposes, includes all of the funds, account groups, and other organizations for which the nature and significance of the relationship is such that exclusion would cause the City's financial statement to be misleading or incomplete. In addition, there are no component units as defined by Government Auditing Standards Board No. 14. Financial accountability is defined as the appointment of a voting majority of the governing body, and by the imposition of will or the potential for financial benefit or burden.

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

Related Organizations – the City, at times, provides operating funds for the Sheridan County Airport. The County considers the airport to be a component unit of the County. The City is responsible for the collection of taxes and insurance premiums for the Fire Department Relief Association. The Relief Association has its own board and is not dependent upon the City for its funding. The undisbursed funds and outstanding taxes of the Fire Department Relief Association Fund are recorded in an agency fund in these financial statements.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1.b BASIS OF PRESENTATION AND ACCOUNTING

1.b.1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole.

Fiduciary funds are excluded from these statements. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program.

A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenue includes: charges for services which report fees and other charges to users of the City's services, operating grants and contributions which finance annual operating activities including restricted investment income, and capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

1.b.2 FUND ACCOUNTING

Fund financial statements are provided for governmental and proprietary funds. The governmental fund financial statements include the balance sheet and statement of revenues, expenditures and changes in fund balance. A reconciliation is provided reconciling amounts on these statements to the statement of net position and statement of activities. The proprietary fund financial statements include the statement of net position, statement of revenues, expenses and changes in fund net position, and the statement of cash flows.

Major funds include the general fund and all other governmental funds or proprietary funds whose assets, liabilities, revenue or expenditures exceed 10% of the total for all governmental or proprietary funds and also exceeds 5% of the total for all governmental fund and proprietary funds combined. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The City's major funds are described later.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

**1.b.3 MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, which includes the reclassification or elimination of internal activity between or within funds. Proprietary fund financial statements also report using this same focus and basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The government-wide financial statements report expenditures for fixed assets as capital assets, and record depreciation on those capital assets.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 31 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due and compensated absences which are recognized as expenditures when paid. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received. Deferred revenues are recorded for property tax receivables at year-end in the governmental fund financial statements.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1.b. 4 FUND TYPES AND MAJOR FUNDS

Governmental Funds – The City reports the following major governmental funds:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in other funds.

Sherwood Park Fund – This fund is used to account for the operation of the Sherwood Park and Swimming Pool. Revenues come from City and County contributions and from swimming fees.

The City also reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for proceeds of special revenue sources that are legally restricted to expenditure for a specific purpose.

Proprietary Funds – The City reports the following major proprietary funds:

Water Fund – The water fund accounts for the activities of the City's water services.

Sewer Fund – The sewer fund accounts for the City's sewer operations.

Solid Waste Fund – This fund accounts for the activities related to the disposal of the City's garbage.

The City also reports an agency fund that is detailed in Note 1.a.

1.c BUDGETS

The City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing July 1. A preliminary budget is adopted by the Council prior to adoption of the final budget. The final budget is legally enacted by the City Council, after holding public hearings, by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue. Budgets for the General, Special Revenue and Enterprise Funds are adopted on a basis consistent with U.S. generally accepted accounting principles. Expenditures are limited to the approved budget at the fund level, either as originally adopted or as amended by formal resolution of the City Council. Expenditures may not legally exceed total budget appropriations by fund.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1.d CASH EQUIVALENTS

For purposes of the statement of cash flows the City considers all investments with a maturity of three months or less when purchased to be cash equivalents.

1.e TAXES AND ASSESSMENTS RECEIVABLE

Real estate property taxes are levied in August in connection with the budget process, and are based on assessed values for all property located within the City as of January 1<sup>st</sup> of the current year.

Assessed values are established by the Montana Department of Revenue using a market value base. Taxable value is a fixed percentage of the assessed value, per State statute. A revaluation of all property is required to be completed on a periodic basis.

Real property taxes are billed in October and are due in two equal installments on November 30 and May 31 of the following year. Delinquent real property taxes attach as a lien on the property as of January 1. Personal property taxes are assessed and billed throughout the year, with a significant portion generally billed in May, June and July. Personal property taxes are based upon levies set during August of the prior year. These taxes become delinquent 30 days after billing. Delinquent personal property taxes may become a lien on the real property of the owner of the personal property.

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.

The City is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The tax levies were based upon a valuation of \$1,287,846.

The tax levies for the City for the year ended were as follows:

	<u>Mill Levies</u>
General fund	290.26
Fire Department Relief Association	12.86

The City records tax receivables for property taxes that have been assessed but have not yet been collected. These tax receivables are recorded as deferred inflows of resources in the year assessed and recorded as revenue in the year collected in the governmental fund financial statements.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

In the government-wide financial statements, tax receivables are recorded as revenue in the year assessed. An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable.

The direct write-off method is used for these accounts. Although this is a departure from U.S. GAAP, any resulting differences would be immaterial.

1.f INVENTORIES

Inventories are stated at cost using the first-in, first method. The costs of inventory are recorded as an expense when consumed, and an adjustment is made annually to the respective inventory and expense categories as required under the consumption basis of accounting for inventories.

1.g CAPITAL ASSETS

All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. The costs of normal maintenance and repairs that do not add to the value of the assets or do not materially extend asset lives are not capitalized.

Assets acquired for general government purposes are reported at cost in the government-wide financial statements. Capital assets donated, purchased, or acquired by proprietary fund types are recorded in the individual fund which acquired the asset. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method.

The useful lives of these assets have been estimated as follows:

Buildings	30-50 years
Improvements other than buildings	10-40 years
Machinery and Equipment	5-10 years
Sewer Lines and Pump Stations	30-50 years
Treatment Plant	30-50 years
Water Pump Station	15-25 years

When the City implemented GASB No. 34, they elected not to retroactively report infrastructure.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1.h COMPENSATED ABSENCES

Compensated absences – The City’s employees are permitted to accumulate vacation and sick leave. On termination of employment, an employee is paid for accumulated vacation and for 25% of accumulated sick pay based on the current hourly rate of pay.

In the government-wide statements, compensated absences are included as current and noncurrent liabilities, whereas in the governmental fund financial statements, the expense is recognized when paid. The City uses the general fund and enterprise funds to pay departing employees for accrued vacation and sick leave.

1.i DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

On the Balance Sheet – Governmental Funds, taxes levied but not collected are classified as a deferred inflow of resources as these funds were not collected and available within the reporting period. This account is eliminated in the Government-Wide Financial Statements.

1.j 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 allocable 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 and balances are eliminated in the government-wide financial statements. Interfund transfers are made and balances are held, as needed, to support City programs.

1.k ENTERPRISE FUNDS RECEIVABLES

Accounts receivable for the water, sewer and solid waste funds are reported net of revenues collected in advance. No reserve for estimated uncollectible accounts is maintained. Although this is a departure from U.S. GAAP, the write-offs are not material.

1.l USE OF ESTIMATES

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

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1.m FUND BALANCE

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government. These commitments may be made, rescinded or modified by resolution of the city council, the highest level of decision making authority, and do not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund Balance may be assigned by the city council at its discretion.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Government does not have a formal minimum fund balance policy.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

The composition of Cash on June 30, 2014 includes \$8,017 in agency fund and was held as follows:

Cash in banks	
Demand deposits	1,805,356
Petty cash	200
Time deposits	<u>2,117,451</u>
Total cash and investments	\$ <u><u>3,923,007</u></u>

Custodial credit risk is the risk that, in the event of a bank or credit union failure, the City's deposits or investments may not be recovered. The deposits with the credit unions and banks utilized by the City are insured by the Federal Deposit Insurance Corporation (FDIC), up to the current insurance coverage limits of \$250,000 for demand deposits and \$250,000 for time and savings deposits per public unit per financial institution within the state. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of governmental investment pools (such as STIP).

Montana statutes require that the City obtain security for the uninsured portion of the deposits as follows: (1) securities equal to 50% of such deposits if the institution in which the deposits are made had a net worth to total assets ratio of 6% or more, or (2) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The amount of collateral held for the City deposits at year end equaled or exceeded the amount required by state statutes. The state statutes do not specify in whose custody or name the collateral is to be held.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment with a single issuer. The City does not have a policy to limit this risk and the City's cash and investments.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 3. CAPITAL ASSETS**

3a. GOVERNMENTAL FUNDS

The value and changes to the capital assets are as follows:

	Balance			Balance
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Cost of assets				
Land	\$ 84,850	\$	\$	\$ 84,850
Buildings	1,425,495	36,404		1,461,899
Improvements	790,080	70,536	(55,403)	805,213
Machinery and Equipment	<u>1,064,214</u>			<u>1,064,214</u>
Total	<u>\$ 3,364,639</u>	<u>\$ 106,940</u>	<u>\$ (55,403)</u>	<u>\$ 3,416,176</u>
Accumulated depreciation				
Buildings	\$ (611,446)	\$ (28,778)	\$	\$ (640,224)
Improvements	(426,988)	(13,434)	55,403	(385,019)
Machinery and Equipment	<u>(815,008)</u>	<u>(33,546)</u>		<u>(848,554)</u>
Total	<u>\$ (1,853,442)</u>	<u>\$ (75,758)</u>	<u>\$ 55,403</u>	<u>\$ (1,873,797)</u>

Depreciation was charged to the City's programs as follows:

General government	\$ 28,778
Public safety	10,448
Public works	16,951
Culture and recreation	<u>19,581</u>
Total depreciation	<u>\$ 75,758</u>

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

3b. ENTERPRISE FUNDS

Fixed assets purchased or acquired by enterprise fund types are recorded in the individual fund making the purchase. The value and changes to the capital assets are as follows:

	Balance			Balance
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<b>Cost of assets</b>				
Machinery and equipment	\$ 263,975	\$ 119,815	\$ (843)	\$ 382,947
Source of supply	237,285			237,285
Pumping plant	136,098	6,903		143,001
Treatment plant	1,357,282	1,429,040		2,786,322
Transmission and distribution	1,505,402			1,505,402
General plant	371,513		(1,686)	369,827
	<u>3,871,555</u>	<u>1,555,758</u>	<u>(2,529)</u>	<u>5,424,784</u>
<b>Total</b>	<b>\$ 3,871,555</b>	<b>\$ 1,555,758</b>	<b>\$ (2,529)</b>	<b>\$ 5,424,784</b>
<b>Accumulated depreciation</b>				
Machinery and equipment	\$ (29,121)	\$ (43,562)	\$ 843	\$ (71,840)
Source of supply	(96,049)	(10,308)		(106,357)
Pumping plant	(89,688)	(4,286)		(93,974)
Treatment plant	(488,779)	(31,693)		(520,472)
Transmission and distribution	(594,034)	(22,886)		(616,920)
General plant	(334,621)	(2,724)	1,686	(335,659)
	<u>(1,632,292)</u>	<u>(115,459)</u>	<u>2,529</u>	<u>(1,745,222)</u>
<b>Total</b>	<b>\$ (1,632,292)</b>	<b>\$ (115,459)</b>	<b>\$ 2,529</b>	<b>\$ (1,745,222)</b>

Depreciation was charged to the City's programs as follows:

Water	\$ 57,308
Sewer	18,011
Solid waste	40,140
<b>Total depreciation</b>	<b>\$ <u>115,459</u></b>

**NOTE 5. LONG-TERM LIABILITIES**

In February of 2006, the City authorized borrowing \$1,000,000 from the Department of Natural Resources to make improvements to the City's water system. The City has issued two "AWRF" bonds in the amount of \$500,000 each. Interest accrues at 2.75% and 3.75%, respectively, on each bond. Principal and interest are paid semi-annually.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

The bonds call for principal payments of \$22,000 plus interest. They are secured by the revenue from the water fund and mature in July of 2035 and 2036, respectively.

In March of 2013, the City refinanced the balance on the Series 2005B Revenue Bond. The total amount refinanced through the Drinking Water Revolving Loan Program with the Department of Natural Resources was \$439,000, with a stated interest rate of 3%. Principal and interest are paid semi-annually. The bond calls for principal payments of \$12,000 plus interest. The bond is secured by the revenue from the water fund and matures in July of 2036.

In March of 2013, the City refinanced the balance on the Series 1999 Revenue Bond. The total amount refinanced through the Drinking Water Revolving Loan Program with the Department of Natural Resources was \$239,000, with a stated interest rate of 2%. The refinanced note matures in July of 2019. The interest expense related to this debt is reported as a direct expense on the Statement of Activities. The bond is secured by the revenue from the water fund.

In August of 2013, the City authorized borrowing \$1,537,300 from the Department of Natural Resources to remove sludge from the City's sewage lagoons. The City issued two "DWSRF" bonds in the amounts of \$300,000 (Loan A) and \$1,237,300 (Loan B), respectively. Loan A will be forgiven upon completion of all program requirements. Loan B has a stated interest rate of 3.0% and matures in July of 2033. The bond is secured by the revenue from the sewer fund.

A summary of long-term liabilities for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Current Portion
<u>Governmental Funds:</u>					
Compensated absences \$	23,156	\$	\$ (1,463)	\$ 21,693	\$ 14,100
<u>Enterprise Funds:</u>					
Compensated absences	35,671	6,603		42,274	27,478
Water revenue bonds	1,080,000		(60,000)	1,020,000	64,000
Sewer revenue bond	0	1,537,300	(23,300)	1,514,000	46,000
Total	\$ <u>1,138,827</u>	\$ <u>1,543,903</u>	\$ <u>(84,763)</u>	\$ <u>2,597,967</u>	\$ <u>151,578</u>

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

Principal and interest payments due on water and sewer loans outstanding are as follows:

Dates	Water Loans		Sewer Loan	
	Principal	Interest	Principal	Interest
2015	\$ 64,000	\$ 18,105	\$ 46,000	\$ 23,590
2016	64,000	17,095	48,000	22,640
2017	65,000	16,079	49,000	21,670
2018	67,000	15,034	51,000	20,660
2019	69,000	13,949	52,000	19,620
2020-2024	186,000	58,170	287,000	81,370
2025-2029	190,000	40,300	335,000	50,100
2030-2034	218,000	19,760	346,000	14,200
2035-2039	97,000	1,700		

**NOTE 6. INTERFUND BALANCE AND OPERATING TRANSFERS**

At year-end, there was an interfund balance of \$205,000 owed from the Solid Waste Fund to the General Fund. This balance consists of two loans used to purchase equipment.

This fiscal year the City of Plentywood transferred \$35,000 from the General Fund to the Sherwood Park Fund to help cover operating costs.

**NOTE 7. EMPLOYEE RETIREMENT SYSTEM**

The City participates in a statewide cost-sharing multiple employer defined benefit retirement plan. The Public Employees' Retirement System (PERS) covers all employees, except certain part-time employees. The plan is established under State law and is administered by the State of Montana.

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

The PERS offers retirement, disability and death benefits to plan members and their beneficiary. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

Monthly retirement benefits are determined by multiplying 1/50 of the number of years of service by the highest consecutive 36 months' salary. Members' rights become vested after five years of service.

Beginning January 1998, a guaranteed annual benefit adjustment provides an annual 3% benefit increase each January if the recipient has been receiving a benefit for at least 36 months. The plan issues publicly available annual reports that include financial statements and required supplemental information. Those reports may be obtained from the following:

Public Employees Retirement System  
P.O. Box 200131f  
1712 Ninth Avenue  
Helena, MT 59620-0131  
Phone: (406) 444-3154

The actuarial costs are calculated using the entry age actuarial cost method. The actuarial value of assets is the current market value, adjusted by a four-year smoothing of gains and losses on a market value basis. Each year's gain or loss is determined as the difference between the actual market return and the expected market return using the assumed rate of investment return.

The following rates were assumed for investment return: 7.75% for PERS, projected salary increases of 4.00%, post-retirement benefit increases of 3% for employees hired prior to July 1, 2007 and 1.5% for employees hired after July 1, 2007. The amortization method used was level-percentage of future payroll and the last actuarial valuation was June 30, 2014.

Contribution rates for plan is required and determined by State law. The PERS rate for employees is 7.90%. The PERS rate for the State for local government employers was set at 0.10%. This is considered an on behalf payment and the City does not record this contribution in its financial statements. The PERS rate for local government employers is 8.07%. The amounts contributed to the plans during the last three fiscal years were equal to the required contribution for each year. The amounts contributed by the City and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
PERS	\$ 56,935	\$ 38,928	\$ 36,082
Total	<u>\$ 56,935</u>	<u>\$ 38,928</u>	<u>\$ 36,082</u>

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. RISK MANAGEMENT**

The City 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. The City participates in a state-wide public risk pool operated by the Montana Municipal Insurance Authority (MMIA) for liability, property and workers' compensation coverage.

Given the lack of coverage available, the City has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MMIA is an organization that provides pooled, self-insurance coverage exclusively to Montana municipalities. The City is insured for initial liability limits of \$750,000 per individual and \$1,500,000 per occurrence. For covered losses not subject to statutory tort caps the limit of liability is \$10,000,000. These policies transfer all risks of loss, except for relatively small deductible amounts.

There have been no changes in risk coverage from prior years and no losses have been incurred in the previous three years. Financial statements can be obtained by contacting MMIA at the following address:

Montana Municipal Insurance Authority  
PO Box 6669  
Helena, MT 59604-6669  
Phone: 406-443-0907

**NOTE 9. INTERLOCAL AGREEMENTS**

Law Enforcement Services – The City of Plentywood and Sheridan County have an agreement, initially entered into on January 1, 2008, whereby the County will provide general law enforcement and dispatch services for the City of Plentywood. The City agreed to pay the County \$172,320 per year in semi-annual installments, due on or before August 1<sup>st</sup> and on or before February 1<sup>st</sup>.

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The City allows eligible retirees to remain in the City's Health Insurance Plan (Plan) in accordance with State Law. This single-employer plan does not issue a publicly available financial report.

**City of Plentywood, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

Funding Policy – The City is required to allow eligible retirees to remain in the Plan by State Law. Since the Plan provides for a single blended-premium, the City is providing an implicit rate subsidy to retirees. No other contribution is made by the City to the Plan. Each retiree is required to contribute his or her entire insurance premium. The Plan is funded on a pay-as-you-go basis.

The City did not hire an actuarial firm to assist in determining the other post-employment benefit (OPEB) liability and related expense and did not record these items in the financial statements because the amounts are considered immaterial.

CITY OF PLENTYWOOD, MONTANA

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

**City of Plentywood, Montana**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**All Budgeted Major Governmental Funds**  
**For the Year Ended June 30, 2014**

	General Fund		Oil & Gas Severance Fund	Actual Amounts GAAP Basis
	Original & Final Budget	Actual	Actual	
<b>REVENUES</b>				
Taxes and assessments	\$ 444,355	\$ 446,058	\$	\$ 446,058
Licenses and permits	4,294	4,459		4,459
Intergovernmental revenue	256,049	261,778	113,493	375,271
Charges for services	10,000	6,824		6,824
Fines and forfeitures	6,000	12,021		12,021
Investment and royalty earnings	4,000	4,566		4,566
Total revenue	<u>724,698</u>	<u>735,706</u>	<u>113,493</u>	<u>849,199</u>
<b>EXPENDITURES</b>				
General government	\$ 212,490	\$ 108,707	\$ 2,756	\$ 111,463
Public safety	316,320	204,904		204,904
Public works	247,000	139,515		139,515
Public health	9,000	291		291
Culture and recreation	123,000	53,057		53,057
Miscellaneous	53,000	40,468		40,468
Total current charges	<u>960,810</u>	<u>546,942</u>	<u>2,756</u>	<u>549,698</u>
Capital outlay		<u>37,639</u>		<u>37,639</u>
Total expenditures	<u>960,810</u>	<u>584,581</u>	<u>2,756</u>	<u>587,337</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (236,112)</u>	<u>\$ 151,125</u>	<u>\$ 110,737</u>	<u>\$ 261,862</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in	\$	\$	\$	\$
Transfers out	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$</u>	<u>\$ (35,000)</u>
Net change in fund balance	\$ (271,112)	\$ 116,125	\$ 110,737	\$ 226,862
Fund balance, beginning of year		<u>\$ 271,313</u>	<u>\$ 1,233,730</u>	<u>\$ 1,505,043</u>
Fund balance, end of year		<u>\$ 387,438</u>	<u>\$ 1,344,467</u>	<u>\$ 1,731,905</u>

See accompanying Notes to Required Supplemental Information

**City of Plentywood, Montana**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**All Budgeted Major Governmental Funds**  
**For the Year Ended June 30, 2014**

	Sherwood Park Fund	
	Original & Final Budget	Actual
<b>REVENUES</b>		
Intergovernmental revenue	\$ 65,000	\$ 65,000
Charges for services	15,000	17,873
Miscellaneous revenue		4,513
Investment and royalty earnings		1
Total revenue	80,000	87,387
<b>EXPENDITURES</b>		
Culture and recreation	\$ 111,671	\$ 73,534
Total current charges	111,671	73,534
Capital outlay	85,000	69,301
Total expenditures	196,671	142,835
Excess (deficiency) of revenues over expenditures	\$ (116,671)	\$ (55,448)
<b>OTHER FINANCING SOURCES AND USES</b>		
Transfers in	\$ 35,000	\$ 35,000
Net change in fund balance	\$ (81,671)	\$ (20,448)
Fund balance, beginning of year		\$ 81,671
Fund balance, end of year		\$ 61,223

See accompanying Notes to Required Supplemental Information

**City of Plentywood, Montana**  
**Notes to Required Supplemental Information**  
**For the Year Ended June 30, 2014**

**BUDGETS**

Budgets are adopted on a basis consistent with the State of Montana budget laws which are, for the most part, consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General Fund, the Sherwood Park Fund and the other special revenue funds including (Gasoline Tax, and Police Reserve Training).

**GENERAL POLICIES**

The City's funds are either budgeted or unbudgeted in accordance with State statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are nonbudgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds. Budgets for major enterprise funds are not required to be included and are not presented here.

The Oil and Gas Severance Fund does not meet the clarified definition of a special revenue fund and therefore must be incorporated into the General Fund in the fund financial statements.

**BUDGET OPERATION**

The City operates within the budget requirements for Cities and Towns as specified by State law. The financial report reflects the following budgetary standards:

1. The City must submit a complete copy of the final budget together with a statement of tax levies to the department of administration by the later of October 1 or 60 days after receipt of taxable values from the department of revenue.
2. Once adopted, the budget can be amended by subsequent City Council action. An increase of total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
3. According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
4. At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the City.

**City of Plentywood, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<u>Federal Agency/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Passed through the Montana Department of Natural Resources and Conservation			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-14338/SRF-14339	<u>1,330,671</u>
Total Montana Department of Natural Resources and Conservation			<u>1,330,671</u>
Total U.S. Environmental Protection Agency			<u>1,330,671</u>
Total for All Awards			<u><u>1,330,671</u></u>

See Accompanying Notes to the Financial Statements

**City of Plentywood, Montana**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profits Organizations*.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance And Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the City Council  
City of Plentywood  
Plentywood, Montana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Plentywood (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements and have issued my report thereon dated March 30, 2015.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2014-001 and 2014-002 that I consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

The City's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

Philip Emmons, CPA  
Miles City, MT

March 30, 2015

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

To the City Council  
City of Plentywood  
Plentywood, Montana

### **Report on Compliance for Each Major Federal Program**

I have audited the City of Plentywood's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City's compliance with those requirements.

## **Opinion on Each Major Federal Program**

In my opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified several deficiencies in internal control over compliance that I consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. However, no material weaknesses were identified.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding number 2014-002 to be a significant deficiency.

The City's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Philip Emmons, CPA  
Miles City, MT

March 30, 2015

**City of Plentywood, Montana  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant Deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(A)?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**City of Plentywood, Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2014-001**

**Condition:** Due to a limited number of office personnel, the City does not have adequate internal accounting controls in some areas because of a lack of segregation of duties.

**Criteria:** An ideal system of internal control utilizes a segregation of duties so that no one individual handles a transaction from its inception to its completion.

**Cause:** The condition occurred due to the City having a limited number of personnel available.

**Effects:** Inadequate segregation of duties increases the risk that fraud may occur and not be detected by the City.

**Recommendation:** The City has implemented compensating controls to the extent practical and I am not recommending further action by the City Council.

**Response:** No response is necessary.

**Finding 2014-002**

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

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

**Cause:** The condition occurred due to the City having a limited number of personnel available.

**City of Plentywood, Montana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Effects:** It is common within the governmental sector to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards.

**Recommendation:** The City has implemented compensating controls to the extent practical and I am not recommending further action by the City Council.

**Response:** No response is necessary.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding 2014-002**

All Major Federal Award Programs

Finding number 2014-002 applies to this federal award program.

**City of Plentywood, Montana  
Prior Year Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**Finding:** 13-1 – Segregation of Duties

**Status:** Continued disclosure.

**PRIOR YEAR FEDERAL AWARDS FINDINGS**

N/A - None