

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
Fiscal Year Ended June 30, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF STANFORD

JUDITH BASIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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TOWN OF STANFORD

JUDITH BASIN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

Stephen Dell

Mayor

CITY COUNCIL

Don Andersen

Council Member

Kent Ridgeway

Council Member

Leah Kay Roane

Council Member

Cody Swanson

Council Member

CITY OFFICIALS

James Hubble

Attorney

Larry Carver

City Judge

Amanda H. Kelly

Clerk / Treasurer

Jon Schmitt

Chief of Police

Dale R. Zuck

Water/Sewer

TOWN OF STANFORD MANAGEMENT DISCUSSION AND ANALYSIS

This section of Town of Stanford's financial report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Town of Stanford's basic financial statements. The Town's basic financial statements have four components: 1) government-wide financial statements, 2) fund financial statements, 3) balance sheet water and sewer fund and 4) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities provides a broad overview of the Town's overall financial status. Over time, increase or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. Non-financial factors also need to be considered to assess the overall health of the Town. Government-wide financial statements divide the Town into three kinds of activities.

Governmental activities – The Town's basic services are included here. These activities are generally financed through taxes, charges for services, and State and Federal grants/contributions.

Business type activities – Water Fund and Sewer Fund

Fund Financial Statement: Fund financial statements focus on the individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

Balance sheets provide details of the Water Fund and Sewer Fund which are categorized as Enterprise funds.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information: This Management Discussion and Analysis and the Budgetary Comparison Schedules represent financial information, which provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes. This report also includes optional financial information such as combining statements for non-major funds (which are shown in the fund financial statements in a single, column), budgetary comparison information for non-major funds, a schedule of office activities, and a schedule of taxes certified and collected or political subdivision in the Town. This information is provided to address certain specific needs of various users of the report.

**TOWN OF STANFORD
MANAGEMENT DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	Change	<u>FY14</u>	<u>FY13</u>	Change
			Inc (Dec)			Inc (Dec)
Current and other assets	\$ 144,397	\$ 199,299	\$ (54,902)	\$ 351,453	\$ 314,657	\$ 36,796
Capital assets	254,153	221,490	32,663	2,380,635	2,437,620	(56,985)
Total assets	<u>\$ 398,550</u>	<u>\$ 420,789</u>	<u>\$ (22,239)</u>	<u>\$ 2,732,088</u>	<u>\$ 2,752,277</u>	<u>\$ (20,189)</u>
Long-term debt outstanding	\$ 39,971	\$ 10,009	\$ 29,962	\$ 1,899,113	\$ 1,928,842	\$ (29,729)
Other liabilities	37,889	9,351	28,538	2,236	2,238	(2)
Total liabilities	<u>\$ 77,860</u>	<u>\$ 19,360</u>	<u>\$ 58,500</u>	<u>\$ 1,901,349</u>	<u>\$ 1,931,080</u>	<u>\$ (29,731)</u>
Net investment in capital assets	\$ 226,153	\$ 221,490	\$ 4,663	\$ 701,472	\$ 725,795	\$ (24,323)
Restricted	78,930	70,217	8,713	120,420	117,256	3,164
Unrestricted (deficit)	15,607	109,722	(94,115)	8,847	(21,854)	30,701
Total net position	<u>\$ 320,690</u>	<u>\$ 401,429</u>	<u>\$ (80,739)</u>	<u>\$ 830,739</u>	<u>\$ 821,197</u>	<u>\$ 9,542</u>

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	Change	<u>FY14</u>	<u>FY13</u>	Change
			Inc (Dec)			Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 5,308	\$ 6,057	\$ (749)	\$ 213,552	\$ 209,859	\$ 3,693
Operating grants and contributions	20,657	17,279	3,378	10,289	87,105	(76,816)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	55,701	57,597	(1,896)	-	-	-
Miscellaneous	29,244	98,131	(68,887)	-	583	(583)
Interest/investment earnings	142	426	(284)	715	867	(152)
Licenses and permits	27,015	24,181	2,834	-	-	-
Contributions & donations	9,748	11,293	(1,545)	-	-	-
Unrestricted federal/state shared revenues	51,587	49,509	2,078	-	-	-
Total revenues	<u>\$ 199,402</u>	<u>\$ 264,473</u>	<u>\$ (65,071)</u>	<u>\$ 224,556</u>	<u>\$ 298,414</u>	<u>\$ (73,858)</u>
Program expenses						
General government	\$ 60,653	\$ 40,614	\$ 20,039			
Public safety	14,271	17,374	(3,103)			
Public works	85,002	143,988	(58,986)			
Culture and recreation	53,753	3,653	50,100			
Miscellaneous	57,111	6,496	50,615			
Water				\$ 135,378	\$ 132,516	\$ 2,862
Sewer				79,636	115,898	(36,262)
Total expenses	<u>\$ 270,790</u>	<u>\$ 212,125</u>	<u>\$ 58,665</u>	<u>\$ 215,014</u>	<u>\$ 248,414</u>	<u>\$ (33,400)</u>
Increase (decrease) in net position	<u>\$ (71,388)</u>	<u>\$ 52,348</u>	<u>\$ (123,736)</u>	<u>\$ 9,542</u>	<u>\$ 50,000</u>	<u>\$ (40,458)</u>

**TOWN OF STANFORD
MANAGEMENT DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrated compliance with finance-related legal requirements. Revenue received from Unrestricted Federal/State shared revenues remains at moderate level in FY14.

FUND ANALYSIS

General fund activities (Culture & Recreation) were posted incorrectly in FY13 they were inadvertently posted under Public works. This has resulted a miscued comparison; but this correct needed to be done. The fund balance decreased by \$87,722 due to the changes in expenditures explained below.

VARIATIONS BETWEEN BUDGET VS ACTUAL

During 2014, the General Fund's budget increased by \$105,680. It was the result of trading equipment during the fiscal year, purchasing a new boiler for the swimming pool, and other contribution expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

As noted earlier, the financial statement reflects an increase in capital assets. The majority of the capital assets held by the Town of Stanford are within the Water Fund and Sewer Fund. According to Engineers and Bonding agency's Montana small communities fall short in keeping the infrastructure in the communities up to date. Which the Town of Stanford faced in the early 2000's when they had to make significant increases to our fee structure. With that being said the current governing body is continually working toward infrastructure improvements as needed while keeping rates affordable to the users.

ECONOMIC FACTORS

The Town of Stanford faces the same problems the majority of the small communities are facing. Population is declining and infrastructure updates are still needed to provide services to all. Our for fathers did not plan into the future; but that has all changed. The Town has just been awarded a grant to write a Growth Policy which should help to make all decision for now and in the future.

FINANCIAL CONTACT

The town's financial statements are designed to give those interested with a general overview of the financial operations of the town. Questions concerning any information presented in this report or any request for additional information should be submitted to the Mayor Stephen Dell, Town of Stanford, PO Box 123, Stanford, MT 59479

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council
Town of Stanford
Judith Basin County
Stanford, Montana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stanford, Judith Basin County, Montana, as of and for the year ended 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Town of Stanford, Judith Basin County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 4, 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the Town of Stanford, Judith Basin County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Stanford, Judith Basin County, Montana's internal control over financial reporting and compliance.

Derrington, Downey and Associates, CPAs, P.C.

June 18, 2015

Town of Stanford, Judith Basin County, Montana
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 171,636	\$ 179,060	\$ 350,696
Taxes and assessments receivable, net	2,761	-	2,761
Internal balances	(30,000)	30,000	-
Accounts receivable - net	-	21,973	21,973
Due from other governments	-	-	-
Total current assets	<u>\$ 144,397</u>	<u>\$ 231,033</u>	<u>\$ 375,430</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 120,420	\$ 120,420
Capital assets - land	1,800	-	1,800
Capital assets - depreciable, net	252,353	2,380,635	2,632,988
Total noncurrent assets	<u>\$ 254,153</u>	<u>\$ 2,501,055</u>	<u>\$ 2,755,208</u>
Total assets	<u>\$ 398,550</u>	<u>\$ 2,732,088</u>	<u>\$ 3,130,638</u>
LIABILITIES			
Current liabilities			
Accrued payables	9,389	-	9,389
Current due to other governments	\$ 5,000	\$ -	\$ 5,000
Revenues collected in advance	-	2,236	2,236
Current portion of long-term liabilities	-	-	-
Current portion of long-term capital liabilities	4,650	31,921	36,571
Current portion of compensated absences payable	4,023	6,670	10,693
Total current liabilities	<u>\$ 23,062</u>	<u>\$ 40,827</u>	<u>\$ 63,889</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 3,605	\$ 3,606	\$ 7,211
Noncurrent portion of long-term capital liabilities	23,350	1,856,428	1,879,778
Noncurrent portion of compensated absences	4,343	488	4,831
Noncurrent due to other governments	23,500	-	23,500
Total noncurrent liabilities	<u>\$ 54,798</u>	<u>\$ 1,860,522</u>	<u>\$ 1,915,320</u>
Total liabilities	<u>\$ 77,860</u>	<u>\$ 1,901,349</u>	<u>\$ 1,979,209</u>
NET POSITION			
Net investment in capital assets	\$ 226,153	\$ 701,472	\$ 927,625
Restricted for bond indenture requirements	-	120,420	120,420
Restricted for general government	3,044	-	3,044
Restricted for public safety	7,736	-	7,736
Restricted for public works	68,150	-	68,150
Unrestricted	15,607	8,847	24,454
Total net position	<u>\$ 320,690</u>	<u>\$ 830,739</u>	<u>\$ 1,151,429</u>

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Primary government:						
Governmental activities:						
General government	\$ 60,653	\$ -	\$ 4,886	\$ (55,767)	\$ -	\$ (55,767)
Public safety	14,271	-	518	(13,753)	-	(13,753)
Public works	85,002	650	15,253	(69,099)	-	(69,099)
Culture and recreation	53,753	4,658	-	(49,095)	-	(49,095)
Miscellaneous	57,111	-	-	(57,111)	-	(57,111)
Total governmental activities	\$ 270,790	\$ 5,308	\$ 20,657	\$ (244,825)	\$ -	\$ (244,825)
Business-type activities:						
Water	\$ 135,378	\$ 122,416	\$ 10,289	\$ -	\$ (2,673)	\$ (2,673)
Sewer	79,636	91,136	-	-	11,500	11,500
Total business-type activities	\$ 215,014	\$ 213,552	\$ 10,289	\$ -	\$ 8,827	\$ 8,827
Total primary government	\$ 485,804	\$ 218,860	\$ 30,946	\$ (244,825)	\$ 8,827	\$ (235,998)
General Revenues:						
Property taxes for general purposes				\$ 55,701	\$ -	\$ 55,701
Miscellaneous				29,244	-	29,244
Interest/investment earnings				142	715	857
Licenses and permits				27,015	-	27,015
Contributions & donations				9,748	-	9,748
Unrestricted federal/state shared revenues				51,587	-	51,587
Total general revenues, special items and transfers				\$ 173,437	\$ 715	\$ 174,152
Change in net position				\$ (71,388)	\$ 9,542	\$ (61,846)
Net position - beginning				\$ 401,429	\$ 821,197	\$ 1,222,626
Restatements				(9,351)	-	(9,351)
Net position - beginning - restated				\$ 392,078	\$ 821,197	\$ 1,213,275
Net position - end				\$ 320,690	\$ 830,739	\$ 1,151,429

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 96,225	\$ 75,411	\$ 171,636
Taxes and assessments receivable, net	2,325	436	2,761
Total assets	<u>\$ 98,550</u>	<u>\$ 75,847</u>	<u>\$ 174,397</u>
Current liabilities:			
Accrued payables	\$ 9,389	\$ -	\$ 9,389
Due to other funds	30,000	-	30,000
Current due to other governments	5,000	-	5,000
Total current liabilities	<u>\$ 44,389</u>	<u>\$ -</u>	<u>\$ 44,389</u>
Noncurrent liabilities:			
Noncurrent due to other governments	\$ 23,500	\$ -	\$ 23,500
Total noncurrent liabilities	<u>\$ 23,500</u>	<u>\$ -</u>	<u>\$ 23,500</u>
Total liabilities	<u>\$ 67,889</u>	<u>\$ -</u>	<u>\$ 67,889</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 2,325	\$ 436	\$ 2,761
Total deferred inflows of resources	<u>\$ 2,325</u>	<u>\$ 436</u>	<u>\$ 2,761</u>
FUND BALANCES			
Restricted	\$ -	\$ 75,411	\$ 75,411
Unassigned fund balance	28,336	-	28,336
Total fund balance	<u>\$ 28,336</u>	<u>\$ 75,411</u>	<u>\$ 103,747</u>

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 103,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	254,153
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,761
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(39,971)
Total net position - governmental activities	\$ <u>320,690</u>

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes and assessments	\$ 80,307	\$ 1,671	\$ 81,978
Intergovernmental	58,123	15,771	73,894
Charges for services	5,308	-	5,308
Miscellaneous	7,975	8,913	16,888
Investment earnings	140	2	142
Total revenues	\$ 151,853	\$ 26,357	\$ 178,210
EXPENDITURES			
General government	\$ 47,628	\$ 8,000	\$ 55,628
Public safety	8,031	6,000	14,031
Public works	62,928	11,492	74,420
Culture and recreation	48,918	-	48,918
Miscellaneous	55,440	1,671	57,111
Capital outlay	59,828	-	59,828
Total expenditures	\$ 282,773	\$ 27,163	\$ 309,936
Excess (deficiency) of revenues over expenditures	\$ (130,920)	\$ (806)	\$ (131,726)
OTHER FINANCING SOURCES (USES)			
Proceeds of general long term debt	\$ 28,000	\$ -	\$ 28,000
Proceeds from the sale of general capital asset disposition	30,549	-	30,549
Transfers in	-	6,000	6,000
Transfers out	(6,000)	-	(6,000)
Total other financing sources (uses)	\$ 52,549	\$ 6,000	\$ 58,549
Net Change in Fund Balance	\$ (78,371)	\$ 5,194	\$ (73,177)
Fund balances - beginning	\$ 116,058	\$ 70,217	\$ 186,275
Restatements	(9,351)	-	(9,351)
Fund balances - beginning, restated	\$ 106,707	\$ 70,217	\$ 176,924
Fund balance - ending	\$ 28,336	\$ 75,411	\$ 103,747

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (73,177)

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	59,828
- Depreciation expense	(18,720)

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:

- Proceeds from the sale of capital assets	(8,445)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	(912)
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The change in compensated absences is shown as an expense in the Statement of Activities

(1,331)

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:

- Proceeds from the sale of long-term debt	(28,000)
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(631)
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Change in net position - Statement of Activities \$ (71,388)

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 98,435	\$ 80,625	\$ 179,060
Accounts receivable - net	12,338	9,635	21,973
Due from other funds	15,000	15,000	30,000
Total current assets	<u>\$ 125,773</u>	<u>\$ 105,260</u>	<u>\$ 231,033</u>
Noncurrent assets:			
Restricted cash and investments	\$ 55,836	\$ 64,584	\$ 120,420
Capital assets - depreciable, net	1,733,877	646,758	2,380,635
Total noncurrent assets	<u>\$ 1,789,713</u>	<u>\$ 711,342</u>	<u>\$ 2,501,055</u>
Total assets	<u>\$ 1,915,486</u>	<u>\$ 816,602</u>	<u>\$ 2,732,088</u>
LIABILITIES			
Current liabilities:			
Revenues collected in advance	\$ 2,236	\$ -	\$ 2,236
Current portion of long-term capital liabilities	16,361	15,560	31,921
Current portion of compensated absences payable	3,335	3,335	6,670
Total current liabilities	<u>\$ 21,932</u>	<u>\$ 18,895</u>	<u>\$ 40,827</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 1,803	\$ 1,803	\$ 3,606
Noncurrent portion of long-term capital liabilities	1,016,044	840,384	1,856,428
Noncurrent portion of compensated absences	244	244	488
Total noncurrent liabilities	<u>\$ 1,018,091</u>	<u>\$ 842,431</u>	<u>\$ 1,860,522</u>
Total liabilities	<u>\$ 1,040,023</u>	<u>\$ 861,326</u>	<u>\$ 1,901,349</u>
NET POSITION			
Net investment in capital assets	\$ 701,472	\$ -	\$ 701,472
Restricted for bond indenture requirements	55,836	64,584	120,420
Unrestricted	118,155	(109,308)	8,847
Total net position	<u>\$ 875,463</u>	<u>\$ (44,724)</u>	<u>\$ 830,739</u>
Total liabilities and net position	<u>\$ 1,915,486</u>	<u>\$ 816,602</u>	<u>\$ 2,732,088</u>

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 122,416	\$ 91,136	\$ 213,552
Total operating revenues	<u>\$ 122,416</u>	<u>\$ 91,136</u>	<u>\$ 213,552</u>
OPERATING EXPENSES			
Personal services	\$ 19,767	\$ 15,946	\$ 35,713
Supplies	12,972	1,100	14,072
Purchased services	15,940	4,574	20,514
Depreciation	39,965	17,020	56,985
Total operating expenses	<u>\$ 88,644</u>	<u>\$ 38,640</u>	<u>\$ 127,284</u>
Operating income (loss)	<u>\$ 33,772</u>	<u>\$ 52,496</u>	<u>\$ 86,268</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 10,289	\$ -	\$ 10,289
Interest revenue	352	363	715
Debt service interest expense	(46,734)	(40,996)	(87,730)
Total non-operating revenues (expenses)	<u>\$ (36,093)</u>	<u>\$ (40,633)</u>	<u>\$ (76,726)</u>
Change in net position	<u>\$ (2,321)</u>	<u>\$ 11,863</u>	<u>\$ 9,542</u>
Net Position - Beginning of the year	\$ 877,784	\$ (56,587)	\$ 821,197
Net Position - End of the year	<u><u>\$ 875,463</u></u>	<u><u>\$ (44,724)</u></u>	<u><u>\$ 830,739</u></u>

See accompanying Notes to the Financial Statements

Town of Stanford, Judith Basin County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2014

	Business - Type Activities - Enterprise		
	Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from providing services	\$ 123,171	\$ 90,365	\$ 213,536
Cash payments to suppliers	(12,972)	(1,100)	(14,072)
Cash payments for professional services	(15,940)	(4,574)	(20,514)
Cash payments to employees	(19,390)	(15,570)	(34,960)
Net cash provided (used) by operating activities	<u>\$ 74,869</u>	<u>\$ 69,121</u>	<u>\$ 143,990</u>
Cash flows from capital and related financing activities:			
Principal paid on debt	\$ (15,642)	\$ (14,840)	\$ (30,482)
Interest paid on debt	(46,734)	(40,996)	(87,730)
Net cash provided (used) by capital and related financing activities	<u>\$ (62,376)</u>	<u>\$ (55,836)</u>	<u>\$ (118,212)</u>
Cash flows from non-capital financing activities:			
Short term loan to governmental funds	\$ (15,000)	\$ (15,000)	\$ (30,000)
Cash received from other sources	\$ 11,220	\$ -	\$ 11,220
Net cash provided (used) from non-capital financing activities	<u>\$ (3,780)</u>	<u>\$ (15,000)</u>	<u>\$ (18,780)</u>
Cash flows from investing activities:			
Interest on investments	\$ 352	\$ 363	\$ 715
Net cash provided (used) by investing activities	<u>\$ 352</u>	<u>\$ 363</u>	<u>\$ 715</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,065	\$ (1,352)	\$ 7,713
Cash and cash equivalents at beginning	\$ 145,206	\$ 146,561	\$ 291,767
Cash and cash equivalents at end	<u>\$ 154,271</u>	<u>\$ 145,209</u>	<u>\$ 299,480</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 33,772	\$ 52,496	\$ 86,268
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	39,965	17,020	56,985
Other post-employment benefits	315	315	630
Changes in assets and liabilities:			
Decrease in accounts receivable	19	(33)	(14)
Revenues collected in advance	736	(738)	(2)
Increase in compensated absences	62	61	123
Net cash provided (used) by operating activities	<u>\$ 74,869</u>	<u>\$ 69,121</u>	<u>\$ 143,990</u>

See accompanying notes to the financial statements

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the Town appointed a voting majority of the component units' board; the Town is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the Town complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Town.

Primary Government

The Town is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the Town. The Town is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

Stanford Beautification Inc.

In prior fiscal years, the Town had reported the Stanford Beautification as a discretely presented component unit. The non-profit did not meet the component unit criteria described above as of the end of June 30, 2014, and is not included in the Town's financial statements below.

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Town does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Town defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Major Funds:

The Town reports the following major governmental funds:

General Fund – This is the Town’s primary operating fund and it accounts for all financial resources of the Town except those required to be accounted for in other funds.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The Town reports the following major proprietary funds:

Water Fund – An enterprise fund that accounts for the activities of the Town’s water distribution operations.

Sewer Fund – An enterprise fund that accounts for the activities of the Town’s sewer collection and treatment operations and includes the storm sewer system.

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Demand deposits	\$ 75,245
Savings deposits	13,346
Time deposits	382,525
Total	\$ <u><u>471,116</u></u>

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 383,897
- Collateral held by the pledging bank's trust department but not in the Town's name.	145,575
Total deposits and investments	\$ 529,472

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ration of less than 6%.

The amount of collateral held for Town deposits at June 30, 2014, equaled or exceeded the amount required by State statutes.

Cash equivalents

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the Town's cash management pool to be cash equivalents.

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the Town as of June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Water Bond Cash Reserve	\$ 55,836
Sewer Bond Cash Reserve	<u>64,584</u>
	<u>\$ 120,420</u>

NOTE 4. RECEIVABLES

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.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

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

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 5. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

The Town's assets are capitalized at historical cost or estimated historical cost. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	50 years
Equipment	10 years
Infrastructure	50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Town has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 1,800	\$ -	\$ -	\$ 1,800
Other capital assets:				
Buildings	\$ 385,652	\$ 11,830	\$ -	\$ 397,482
Improvements other than buildings	202,631	47,998	(69,325)	181,304
Machinery and equipment	67,487	-	-	67,487
Total other capital assets at historical cost	\$ 655,770	\$ 59,828	\$ (69,325)	\$ 646,273
Less: accumulated depreciation	\$ (436,080)	\$ (18,720)	\$ 60,880	\$ (393,920)
Total	<u>\$ 221,490</u>	<u>\$ 41,108</u>	<u>\$ (8,445)</u>	<u>\$ 254,153</u>

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 3,063
Public safety	240
Public works	10,582
Culture and recreation	<u>4,835</u>
Total governmental activities depreciation expense	<u>\$ 18,720</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Other capital assets:			
Buildings	\$ 8,000	\$ -	\$ 8,000
Improvements other than buildings	282,763	-	282,763
Machinery and equipment	11,895	-	11,895
Source of supply	1,931,331	-	1,931,331
Treatment Plant	<u>1,066,824</u>	-	<u>1,066,824</u>
Total other capital assets at historical cost	\$ 3,300,813	\$ -	\$ 3,300,813
Less: accumulated depreciation	<u>\$ (863,193)</u>	<u>\$ (56,985)</u>	<u>\$ (920,178)</u>
Total	<u>\$ 2,437,620</u>	<u>\$ (56,985)</u>	<u>\$ 2,380,635</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 7,035	\$ 1,331	\$ 8,366	\$ 4,023
Intercap loans	-	28,000	28,000	4,650
Other post-employment benefits*	2,974	631	3,605	-
Total	<u>\$ 10,009</u>	<u>\$ 29,962</u>	<u>\$ 39,971</u>	<u>\$ 8,673</u>

*See Note 8

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 1,918,831	\$ -	\$ (30,482)	\$ 1,888,349	\$ 31,921
Compensated absences	7,035	123	-	7,158	6,670
Other post-employment benefits*	2,976	630	-	3,606	-
Total	<u>\$ 1,928,842</u>	<u>\$ 753</u>	<u>\$ (30,482)</u>	<u>\$ 1,899,113</u>	<u>\$ 38,591</u>

*See Note 8

Revenue Bonds - The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding, at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Water Revenue Bond 2004	10/22/04	4.50%	40 yrs	8/22/44	\$ 1,144,900	\$ 62,376	\$ 1,032,405
Sewer Revenue Bond 20002	6/30/02	4.75%	40 yrs	1/27/42	<u>990,000</u>	<u>55,836</u>	<u>855,944</u>
					<u>\$ 2,134,900</u>	<u>\$ 118,212</u>	<u>\$ 1,888,349</u>

Reported in Business-type activities

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The Town was in compliance with applicable covenants as of June 30, 2014.

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 31,921	\$ 86,291
2016	33,427	84,785
2017	35,006	83,206
2018	36,659	81,553
2019	38,390	79,822
2020	40,202	78,010
2021	42,101	76,111
2022	44,088	74,124
2023	46,170	72,042
2024	48,351	69,861
2025	50,634	67,578
2026	53,026	65,186
2027	55,530	62,682
2028	58,153	60,059
2029	60,900	57,312
2030	63,776	54,436
2031	66,789	51,423
2032	69,944	48,268
2033	73,248	44,964
2034	76,708	41,504
2035	80,331	37,881
2036	84,127	34,085
2037	88,101	30,111
2038	92,264	25,948
2039	96,623	21,589
2040	101,188	17,024
2041	105,970	12,242
2042	78,748	7,613
2043	57,542	4,834
2044	60,186	2,190
2045	18,246	120
Total	\$ <u><u>1,888,349</u></u>	\$ <u><u>1,532,854</u></u>

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Stanford 2560-01	6/20/14	1.00%	3 yrs	8/15/17	\$ <u>28,000</u>	\$ <u>28,000</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,650	\$ 183
2016	9,287	210
2017	9,380	117
2018	4,683	23
Total	\$ <u>28,000</u>	\$ <u>533</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the Town's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Town service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

Promissory Note (Due to other governments)

In April 2014, the Town entered into promissory note and agreement with the Stanford Beautification Project, Inc. to assist in paying back an outstanding loan. The Town agreed to pay \$28,500 to the non-profit over a three year period. The first two years would be two \$5,000 installments and the remaining balance by June 1, 2016.

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$	12,768
Actuarial value of plan assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	12,768
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	31,359
UAAL as a percentage of covered payroll		40.72%

Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	1,261
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	1,261
Contributions made	\$	-
Increase in net OPEB obligation	\$	1,261
Net OPEB obligation - beginning of year	\$	5,950
Net OPEB obligation - end of year	\$	7,211

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.50%
Average salary increase (Consumer Price Index)	2.80%

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and after	6.90%

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
To cover negative cash balance in operating cash	Water – Major Proprietary	General – Major Governmental	\$ 15,000
To cover negative cash balance in operating cash	Sewer – Major Proprietary	General – Major Governmental	<u>15,000</u>
			<u>\$ 30,000</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover expenditures owed to Judith Basin County for public safety services	Police Reserves – Nonmajor Governmental	General – Major Governmental	\$ <u>6,000</u>

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 10. STATE-WIDE RETIREMENT PLANS

All full-time Town employees are covered under the Montana Public Employees Retirement System (PERS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

<u>PERS**</u>	
Employer	8.07%
Employee	7.90%*
State	0.10%

* For PERS members hired before 7/1/2011 that rate is 6.9%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the Town's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling: Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The Town's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>
2012	\$ 3,159
2013	\$ 3,254
2014	\$ 3,973

TOWN OF STANFORD
 JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
All other aggregate:	\$ 64,694	Public works
	7,736	Public Safety
	<u>2,981</u>	General Government
Total	\$ <u>75,411</u>	

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Sewer	\$ <u>(44,724)</u>	Town depreciating capital assets to aggressively	Future positive cash flows with adjusted depreciation

NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General Fund	\$ <u>9,351</u>	Prior period expenditure adjustment for payroll accrual

NOTE 14. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Law Enforcement Services

The Town participated in a law enforcement service agreement with Judith Basin County for the fiscal year ended June 30, 2014. Judith Basin County was paid \$6,000 from the Town of Stanford, respectively, for providing law enforcement for the fiscal year ended June 30, 2014.

TOWN OF STANFORD
JUDITH BASIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

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

NOTE 16. RISK MANAGEMENT

The Town faces 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, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the Town has no coverage for potential losses from environmental damages.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Town of Stanford, Judith Basin County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 67,652	\$ 70,016	\$ 80,307	\$ 10,291
Intergovernmental	51,944	57,730	58,123	393
Charges for services	4,300	5,458	5,308	(150)
Miscellaneous	1,000	36,712	7,975	(28,737)
Investment earnings	-	-	140	140
Amounts available for appropriation	<u>\$ 124,896</u>	<u>\$ 169,916</u>	<u>\$ 151,853</u>	<u>\$ (18,063)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 46,656	\$ 48,855	\$ 47,628	\$ 1,227
Public safety	11,000	11,000	8,031	2,969
Public works	45,400	142,159	62,928	79,231
Culture and recreation	40,500	48,922	48,918	4
Miscellaneous	16,090	14,390	55,440	(41,050)
Capital outlay	-	-	59,828	(59,828)
Total charges to appropriations	<u>\$ 159,646</u>	<u>\$ 265,326</u>	<u>\$ 282,773</u>	<u>\$ (17,447)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ 28,000	\$ 28,000	\$ -
Proceeds from the sale of general capital asset disposition	-	22,973	30,549	7,576
Transfers out	(6,000)	(6,000)	(6,000)	-
Total other financing sources (uses)	<u>\$ (6,000)</u>	<u>\$ 44,973</u>	<u>\$ 52,549</u>	<u>\$ 7,576</u>
Net change in fund balance			<u>\$ (78,371)</u>	
Fund balance - beginning of the year			\$ 116,058	
Restatements			<u>(9,351)</u>	
Fund balance - beginning of the year - restated			<u>\$ 106,707</u>	
Fund balance - end of the year			<u><u>\$ 28,336</u></u>	

**TOWN OF STANFORD, JUDITH BASIN COUNTY, MONTANA
REQUIRED SUPPLEMENTAL INFORMATION**

**Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 11,594	\$ 11,594	0%	\$ 35,097	33.0%
July 1, 2012	\$ -	\$ 12,768	\$ 12,768	0%	\$ 31,359	40.7%

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**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***

Mayor and Town Council
Town of Stanford
Judith Basin County
Stanford, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Stanford, Judith Basin County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Stanford's basic financial statements and have issued our report thereon dated June 18, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider a significant deficiency listed as item 2014-001.

2014-001 Utility Billing

Condition:

The Town's Clerk/Treasurer is the only individual who is responsible for the billing, receipting, depositing, and reconciling of cash for the Town's utility billing system.

Context:

We documented the internal control structure for the billing department. This was completed by reviewing and collecting documents, inquiry with the billing clerk, requesting and looking at billing adjustments, and observation.

Criteria:

Adequate internal control procedures require that the duties of receipting, depositing, and reconciling cash be segregated among other employees to the greatest extent possible in order to mitigate the risk of possible fraudulent activity. Due to the Town of Stanford having only one individual who is responsible for all of these functions, there is an inadequate segregation of duties in the billing department.

Effect:

Due to there being a lack of segregation of duties, there is an increased risk that employees will not be able to detect fraud or misstatement if it did occur.

Cause:

The Town of Stanford is a small governmental entity and only has one clerk employed in the billing department at this time. The Town of Stanford has limited resources to hire an additional employee to aid in the billing department.

Recommendation:

The recommendation is to continue to review the possibility of hiring an additional employee to further segregate the above responsibilities and also to continue to monitor closely the internal controls over the Clerk's position.

Auditee Response:

The Town is fully aware of this weakness, due to the limited staff with financial responsibility. We do have several checks and balances in place that we feel help reduce the risk of theft, but to completely meet the requirements would not be cost effective to a town the size of Stanford.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described below as item 2014-002.

2014-002 Expenditures Budget

Condition:

The Town exceeded its expenditures budgetary authority in the General fund during 2014, by an amount totaling \$27,134.

Context:

During our review of the Town budget's, we found that the Town exceeded its budget in the General fund during fiscal year 2014. Per further review we did not find any budget resolutions indicating an increase in budgetary authority.

Criteria:

MCA 7-6-4005 states "Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund. A local government official who violates subsection is liable for the amount of the excess disbursement, expenditure, or obligation personally. The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability."

Effect:

The Town is not in compliance with the laws and regulations of the budgets (MCA 7-6-4005).

Cause:

The Town did not fully amend the expenditures budget for increases in expenditures due to unanticipated revenues.

Recommendation:

We recommend the Town activity monitor the resources available, and amend the budget to the full amount of the expenditures to ensure the Town remains in compliance.

Auditee Response:

The recommendation above will be followed. The Town will perform an in-depth analysis to all the funds expenditures and revenues.

Town of Stanford's Response to Findings

Town of Stanford's response to the findings identified in our audit is described above. Town of Stanford's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Denning, Downey and Associates, CPAs, P.C.

June 18, 2015

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Mayor and Town Council
Town of Stanford
Judith Basin County
Stanford, Montana

The prior audit report contained three recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Sewer Fund Deficit Balance	Implemented
Segregation of Duties	Repeated
Sewer Revenue Bond Requirements	Implemented

Denning, Downey and Associates, CPA's, P.C.

June 18, 2015