

TOWN OF WIBAUX, MONTANA

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2014

James J. Wosepka, PC
Certified Public Accountant
Baker, Montana

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WIBAUX, MONTANA
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Town of Wibaux
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Introduction

This section of the town of Wibaux Financial Statements presents the management's discussion and analysis of the town's financial performance during the fiscal year (FY) ending June 30, 2014. This narrative overview and analysis of the financial activities of the town of Wibaux includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights for Fiscal Year 2014 (FY 2014)

- ✦ *The net position of the town of Wibaux decreased by 4% or \$83,060 at the close of FY14.*
- ✦ *The town of Wibaux assets exceeded the liabilities at the close FY 2014 by \$1,980,389.*
- ✦ *The overall total revenues from all sources for the town of Wibaux for FY 2014 were \$607,940 which represented a 1.3% or \$7,987 increase from FY 2013.*
- ✦ *The town of Wibaux total expenses for FY 2014 were \$687,195 which represents a 14.8% or \$88,745 increase from FY 2013.*
- ✦ *The town of Wibaux's expenses exceeded revenues for FY 2014 by \$79,255.*
- ✦ *Charges for services revenue makes up 53.4% of the total revenue for the city while 25.5% of the revenue comes from federal/state shared revenues. Property taxes make up 16.1% of the total city revenue.*
- ✦ *Total expenses for the town separated by category showed that 26% was spent for sewer services, 18% for public works, and 17% for general government.*
- ✦ *The town had total governmental fund balances of \$446,122 and proprietary fund balances of \$1,302,606 at the end of FY 2014 which was a 4% (\$72,256) decrease from FY 2013.*
- ✦ *Revenue broken down by category showed that operating grants and contributions was down 62.7% or \$35,022 while federal/state shared revenue was up 21.4% or \$27,427 in FY 2014.*
- ✦ *Expenses broken down by category showed that public works expenses were up 36.3% or \$32,592 and sewer expenses were up 25.1% or \$36,424.*
- ✦ *Capital assets (net of depreciation) decreased by 3.45% during FY 2014 mostly due to depreciation.*
- ✦ *The town of Wibaux is in good financial condition even with a slight decrease in FY 14.*

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Overview of the town of Wibaux Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the town of Wibaux. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the town of Wibaux finances in a manner similar to a private-sector business. This broad overview will be accomplished using a *statement of net position* and a *statement of activities*. Each statement will distinguish between governmental and business type activities and between the total governmental and business type activities of the town.

The *statement of net position* presents information on all of the town of Wibaux's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position, along with other factors such as change in tax base and legislative action, may serve as a useful indicator of whether the financial position of the town of Wibaux is improving or deteriorating.

The *statement of activities* presents information showing how the town of Wibaux's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the above government-wide financial statements distinguish functions of the town principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the town of Wibaux include general government, public safety, public works, public health, and culture and recreation. The town of Wibaux does operate business-type activities which include water services, sewer services, and solid waste services.

Fund-based Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. Some funds are required to be set up by state law; other funds are established by the town to help manage funding and expenses for specific purposes. The

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town of Wibaux, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements provide detailed information about the most significant funds (Major Funds). Major funds are defined as the General Fund and any other governmental fund where the assets and liabilities, revenues or expenditures/expenses exceed 10% of the total governmental funds. The governmental town of Wibaux's major funds are the General Fund and Gas Tax Fund. The major funds for proprietary funds (business type funds) are water, sewer, and solid waste funds. All of the town of Wibaux's funds can be divided into three categories: governmental, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Town Council of Wibaux. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of Wibaux. The town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The town of Wibaux has pension trust funds for employees in their fiduciary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this document.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *other supplementary information* concerning budget and actual fund statements for any major fund that is required to present a budget. The other supplementary information can found later in this document.

Town of Wibaux
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the town of Wibaux, assets exceeded liabilities by \$1,980,389 at the close of FY 2014. The net position of the city at the end FY 2014 showed a 4% decrease from the close of FY 2013. This decrease was due to 3.6% decrease in governmental activities and a 4.4% decrease in business type activities. A major portion of the decrease in FY 2014 was due to depreciation on the town of Wibaux's capital assets. The city also experienced a reduction in cash and cash equivalents along with reducing the current liabilities. The town showed an increase of 1.3% (\$7,987) in total revenues in FY 2014 when compared with FY 2013. However, total expenses were up 14.8% or \$88,745 in FY 2014 when compared to FY 2013. The result of higher expenses and slightly higher revenue was a deficit of \$83,059 when expenses were subtracted from revenues. A significant portion of the increase in expenses is the result of an increase of 25% (\$36,424) in sewer expenses and an increase of 36.3% (\$32,592) in public works expenses. Culture and recreation expenses were up \$22,214 or 53.2% and also contributed to the increase in expenses.

Overall Financial Position of the town of Wibaux for FY 2014

The town of Wibaux's overall financial position (net position) in FY 2014 decreased 4% from FY 2013. The decrease was due to 3.6% decrease in governmental activities and a 4.4% decrease in business type activities. A major portion of the decrease in FY 2014 was due to depreciation on the town of Wibaux's capital assets. The city also experienced a reduction in cash and cash equivalents along with reducing the current liabilities. The town showed an increase of 1.3% (\$7,987) in total revenues in FY 2014 when compared with FY 2013. However, total expenses were up 14.8% or \$88,745 in FY 2014 when compared to FY 2013. The result of higher expenses and slightly higher revenue was a deficit of \$83,059 when expenses were subtracted from revenues. A significant portion of the increase in expenses is the result of an increase of 25% (\$36,424) in sewer expenses and an increase of 36.3% (\$32,592) in public works expenses. During FY 2014 the actual revenue collected in the General Fund was \$283,666 with the major sources coming from intergovernmental at \$155,789, property taxes and special assessments \$93,734, and charges for services \$25,006. The actual revenue collected was \$221 more than was budgeted in the original and final budgets for the General Fund. The total General Fund expenditures were \$275,539 which was significantly less than the original and final budget of \$381,134. The area with the largest difference was in capital outlay with \$113,351 less in expenditures than was budgeted. Overall expenditures were \$105,595 less than were anticipated in the budget. The result of significantly lower expenditures than was budgeted and slightly more revenue was a positive variance of \$8,127 in the General Fund. The town of Wibaux is in good financial condition even with a decrease in net position during FY14.

The town of Wibaux Net Position

The following charts present the net position information for the town of Wibaux for governmental activities, business type activities, and overall. .

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Town of Wibaux Net Position	Governmental Activities			
	FY 2013	FY 2014	Change	% Change
Cash & Cash Equivalents	\$459,264	\$448,517	(\$10,747)	-2.3%
Receivables	\$3,416	\$7,475	\$4,059	118.8%
Capital Assets not depreciated - Land	\$6,696	\$6,696	\$0	0.0%
Capital Assets depreciated (net of depr)	\$243,571	\$233,647	(\$9,924)	-4.1%
Total Assets	\$712,947	\$696,335	(\$16,612)	-2.3%
Liabilities				
Current Liabilities	\$200	\$2,395	\$2,195	1097.5%
Non-Current Liabilities	\$11,220	\$16,157	\$4,937	44.0%
Total Liabilities	\$11,420	\$18,552	\$7,132	62.5%
Net Position				
Net Investment in Capital Assets	\$250,267	\$240,343	(\$9,924)	-4.0%
Restricted for:				
Public Safety	\$9,528	\$10,056	\$528	5.5%
Public Works R&D	\$61,321	\$41,683	(\$19,638)	-32.0%
Bond Indenture Requirements				
Unrestricted	\$380,412	\$385,701	\$5,289	1.4%
Total Net Position	\$701,528	\$677,783	(\$23,745)	-3.4%

Town of Wibaux Net Position	Business Type Activities			
	FY 2013	FY 2014	Change	% Change
Cash & Cash Equivalents	\$247,981	\$223,219	(\$24,762)	-10.0%
Restricted Assets	\$267,700	\$275,886	\$8,186	3.1%
Receivables	\$27,095	\$26,562	(\$533)	-2.0%
Capital Assets not depreciated - Land	\$29,764	\$29,764	\$0	0.0%
Capital Assets depreciated (net of depr)	\$1,992,208	\$1,911,010	(\$81,198)	-4.1%
Total Assets	\$2,564,748	\$2,466,441	(\$98,307)	-3.8%
Liabilities				
Current Liabilities	\$44,901	\$2,852	(\$42,049)	-93.6%
Non-Current Liabilities	\$1,157,927	\$1,160,983	\$3,056	0.3%
Total Liabilities	\$1,202,828	\$1,163,835	(\$38,993)	-3.2%
Net Position				
Net Investment in Capital Assets	\$825,292	\$789,834	(\$35,458)	-4.3%
Restricted for:				
Public Safety				
Public Works R&D	\$36,000	\$0	(\$36,000)	-100.0%
Bond Indenture Requirements	\$231,700	\$275,886	\$44,186	19.1%
Unrestricted	\$268,928	\$236,886	(\$32,042)	-11.9%
Total Net Position	\$1,361,921	\$1,302,606	(\$59,315)	-4.4%

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Town of Wibaux Net Position	Total Net Position (Governmental & Business Type)			
	FY 2013	FY 2014	Change	% Change
Cash & Cash Equivalents	\$707,245	\$671,736	(\$35,509)	-5.0%
Restricted Assets	\$267,700	\$275,886	\$8,186	3.1%
Receivables	\$30,512	\$34,037	\$3,525	11.6%
Capital Assets not depreciated - Land	\$36,460	\$36,460	\$0	0.0%
Capital Assets depreciated (net of depr)	\$2,235,780	\$2,144,657	(\$91,123)	-4.1%
Total Assets	\$3,277,695	\$3,162,776	(\$114,919)	-3.5%
Liabilities				
Current Liabilities	\$45,101	\$5,247	(\$39,854)	-88.4%
Non-Current Liabilities	\$1,169,147	\$1,177,140	\$7,993	0.1%
Total Liabilities	\$1,214,248	\$1,182,387	(\$31,861)	-2.6%
Net Position				
Net Investment in Capital Assets	\$1,075,559	\$1,030,177	(\$45,382)	-4.2%
Restricted for:				
Public Safety	\$9,528	\$10,056	\$528	5.5%
Public Works R&D	\$97,321	\$41,683	(\$55,638)	-57.2%
Bond Indenture Requirements	\$231,700	\$275,886	\$44,186	19.1%
Unrestricted	\$649,340	\$622,587	(\$26,753)	-4.1%
Total Net Position	\$2,063,449	\$1,980,389	(\$83,060)	-4.0%

A portion of the net position of the town of Wibaux at the close of FY 2014 (52% in FY14 – was 52.1% in FY13) reflects the investment by the town in capital assets which include property, plant, machinery, equipment, and infrastructure assets (such as roads, sidewalks, curbs, etc.). The capital assets of the town have related debt. The town of Wibaux uses these capital assets to provide services to the community; and as a result, these assets are not available for future spending. Another portion of the net assets of the town are *restricted assets* which must be used for specific purposes. The restricted assets decreased in FY14 by \$10,924 (3.2%) and make up 16.5% (were 16.4% in FY13) of the total net position of the town. The remaining portion of the net position of the town is called *unrestricted assets* and makes up 31.4% (31.4% in FY13) of the assets and may be used to meet the ongoing obligations of the town to citizens and creditors. The unrestricted funds decreased 4.1% in FY 2014. At the end of FY 2014, the town of Wibaux was able to report a positive balance of net position for both the government as a whole as well as for governmental activities.

The town of Wibaux Governmental Activities in FY 2013 and FY 2014

The following table shows the changes in governmental activities from FY13 to FY14. Total revenues were \$607,940 which was up 1.3% (\$7,987) and expenses were \$687,195 which was up 14.8% (\$88,745). The net position of the town of Wibaux was down \$83,059 in FY14. Changes in specific revenue and expense areas are shown in the right hand columns of the table below.

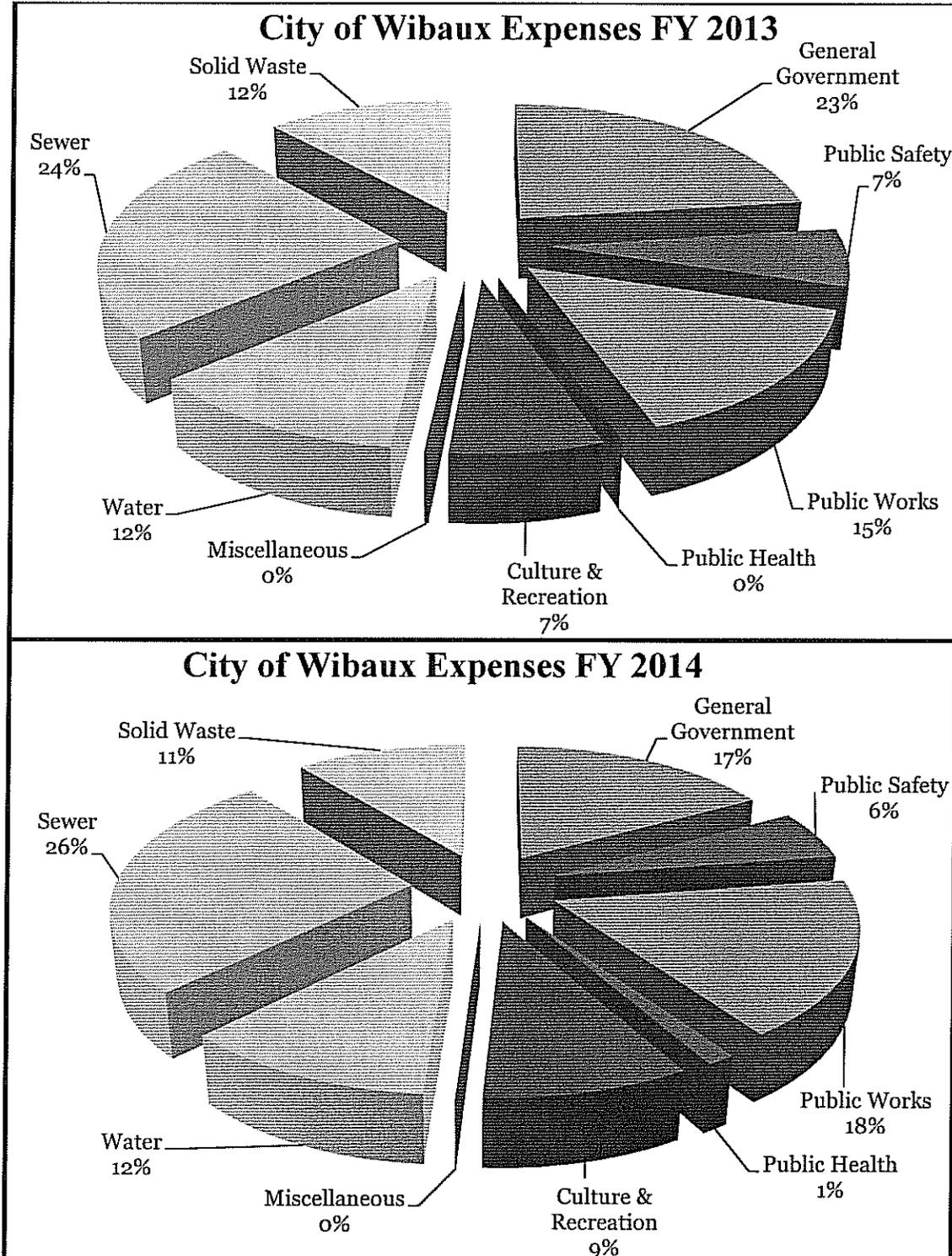
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Town of Wibaux	FY 2013	FY 2014	\$ Change	% Change
Governmental Program revenues:				
Charges for Services, Fines, & Forfeits	\$36,784	\$47,033	\$10,249	27.9%
Operating Grants & Contributions	\$53,307	\$20,785	(\$32,522)	-61.0%
Governmental General revenues				
Property taxes	\$91,517	\$97,794	\$6,277	6.9%
Local Option Tax		\$2,203	\$2,203	100%
Licenses & Permits	\$127,834	\$155,261	\$27,427	21.5%
Federal/State Shared Revenues	\$6,988	\$4,518	(\$2,470)	-35.3%
Unrestricted Investment Earnings		\$1,215	\$1,215	100%
Miscellaneous	\$2,398	\$1,125	(\$1,273)	-53.1%
Total Governmental Revenues	\$318,828	\$329,934	\$11,106	3.5%
Business Type Program Revenues				
Investment Earnings Unrestricted	\$243	\$135	(\$108)	-44.4%
Charges for Services	\$278,382	\$277,871	(\$511)	-0.2%
Grants & Contributions	\$2,500	\$0	(\$2,500)	-100.0%
Total Business Type Revenues	\$281,125	\$278,006	(\$3,119)	-1.1%
Total Revenues	\$599,953	\$607,940	\$7,987	1.3%
Governmental Expenses:				
General Government	\$136,949	\$115,534	(\$21,415)	-15.6%
Public Safety	\$39,493	\$39,278	(\$215)	-0.5%
Public Works	\$89,859	\$122,451	\$32,592	36.3%
Public Health	\$129	\$8,957	\$8,828	6843.4%
Culture & Recreation	\$41,767	\$63,981	\$22,214	53.2%
Miscellaneous	\$1,121	\$247	(\$874)	-78.0%
Total Governmental Expenses	\$309,318	\$350,448	\$41,130	13.3%
Business Type Expenses				
Water	\$72,831	\$79,465	\$6,634	9.1%
Sewer	\$145,148	\$181,572	\$36,424	25.1%
Solid Waste	\$71,153	\$75,710	\$4,557	6.4%
Total Business Type Expenses	\$289,132	\$336,747	\$47,615	16.5%
Total Expenses	\$598,450	\$687,195	\$88,745	14.8%
Increase (Decrease) in net position	\$1,503	(\$79,255)	(\$80,758)	-5373.1%
Beginning Net Position	\$2,061,945	\$2,063,448	\$1,503	0.1%
Prior Period Adjustment		(\$3,804)	(\$3,804)	-100%
Ending Net Position	\$2,063,448	\$1,980,389	(\$83,059)	-4.0%

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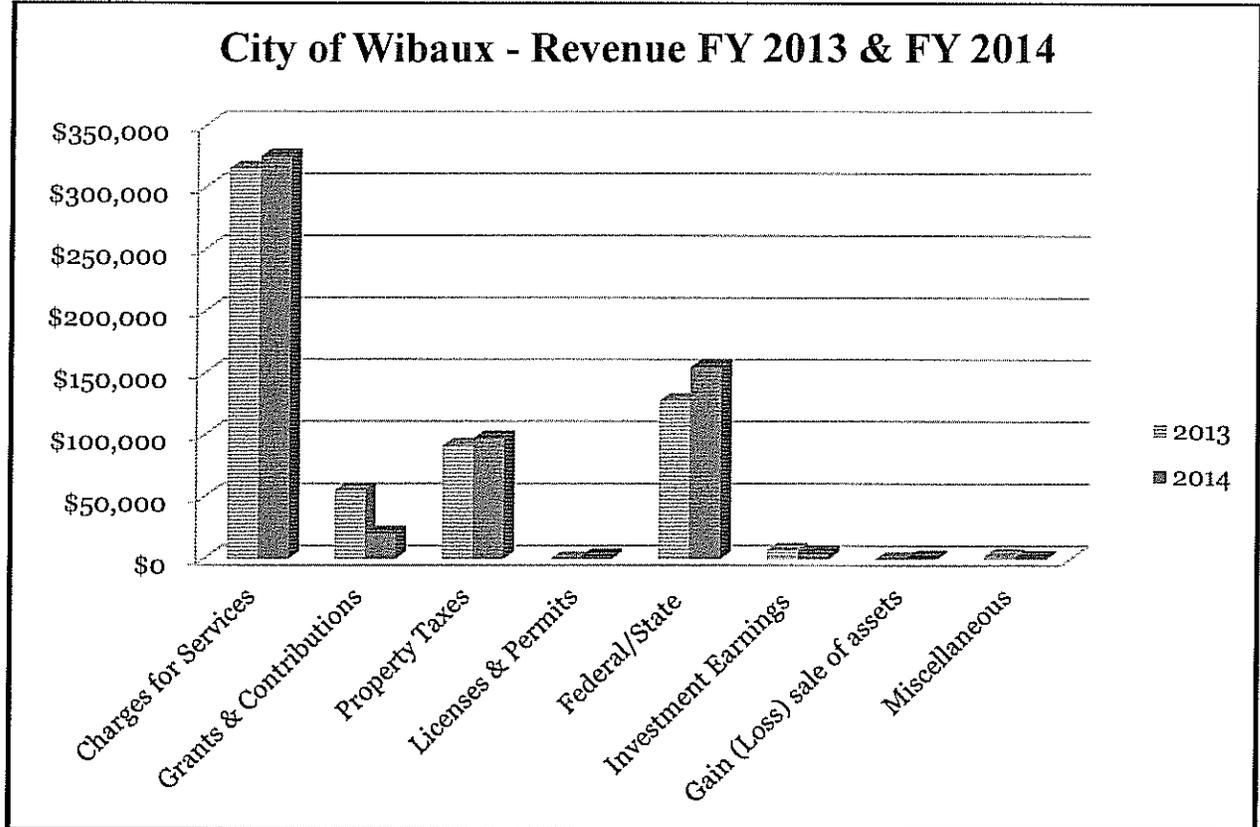
The town of Wibaux expenses for FY 2013 and FY 2014

The following charts present the town's expenses by category. Sewer expenses are 26% of the total expense followed by Public Works at 18% of the total expenses in FY 2014. The major changes included a decrease of 6% in General Government, a 3% increase in Public Works, a 2% increase in sewer, and a 2% increase in Culture and Recreation.



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Revenue by Source – Governmental Activities



The revenue chart shown above demonstrates that Charges for Services is the largest source of revenue for the city followed by Federal/State revenue and Property Taxes. In FY 2014 the three largest sources of revenue all increased while grants and contributions decreased.

Governmental funds

The total governmental fund balances of the town of Wibaux decreased 2.8% from FY13 to FY14. The General Fund is the main governmental operating fund of the town of Wibaux. At the end of FY13, the General Fund had a balance of \$347,545 and at the close of FY14 the balance was \$355,992. The total General Fund balances in the city increased \$8,447 (1.8%) from the end of fiscal year 2013 to the end of the fiscal year 2014. The governmental funds balance sheet can be found later in this report.

Proprietary funds

The proprietary funds (business type funds) consist of water, sewer, and solid waste. The total proprietary funds decreased 4.4% in FY 2014. The sewer fund is the largest with a balance of \$829,966 at the end of FY 2014 which was a decrease of 6.6%. The water fund ended FY 2014 with a balance of \$407,098 which was an increase of 2.7%. The solid waste fund was \$65,542 at the end of FY 2014 which was a decrease of 14.1%. The proprietary funds balance sheet can be found later in this report.

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Intergovernmental revenues (\$155,789), taxes/assessments (\$93,734), and charges for services (\$25,006) are the major revenue sources for the General Fund category. The major expenditures in the General Fund are general government (\$113,164), culture and recreation (\$58,188), and public works (\$47,334). General government expenditures make up 41.1% and culture & recreation make up 21.1% of the general fund total costs for FY14. The other major governmental fund (Gas Tax) decreased \$20,761 or 37% in FY 2014. The total governmental fund balances of the town of Wibaux decreased 2.8% from FY13 to FY14. The statement of revenues, expenditures, and changes in fund balances can be found later on in this report.

General Fund Budgetary Highlights

During FY 2014 the actual revenue collected in the General Fund was \$283,666 with the major sources coming from intergovernmental at \$155,789, property taxes and special assessments \$93,734, and charges for services \$25,006. The actual revenue collected was \$221 more than was budgeted in the original and final budgets for the General Fund. The largest variances between the budget and the actual revenue collected was in the taxes and special assessments with \$24,261 less than was expected. The intergovernmental revenue was \$14,739 more than was budgeted and charges for services was \$8,008 more than was budgeted. The remaining revenue sources had minor variances in the General Fund in FY 2014. The overall difference of budgeted and actual revenue collected was very minor. The total General Fund expenditures were \$275,539 which was significantly less than the original and final budget of \$381,134. The area with the largest difference was in capital outlay with \$113,351 less in expenditures than was budgeted. Public works spend \$14,334 more dollars than was budgeted in FY 2014. Overall expenditures were \$105,595 less than were anticipated in the original and final budget. The result of significantly lower expenditures than was budgeted and slightly more revenue than was budgeted was a positive variance of \$8,127 in the General Fund. The General Fund balance at the end of FY 2014 with the additional revenue was \$355,992 or a 1.8% increase.

Capital Asset and Debt Administration

Capital assets

The investment by the town of Wibaux in capital assets (net of depreciation) for governmental activities as of June 30, 2014, was \$246,660 and for business type activities was \$1,947,083. This investment in capital assets included land, buildings, machinery and equipment, and infrastructure. The value of the capital assets (net of depreciation) for the town of Wibaux showed a 3.45% decrease during FY 2014. The decrease in capital assets was mostly due to depreciation which was \$97,145. The city did add \$18,649 in machinery and equipment during FY 2014. The capital assets of the town of Wibaux have related debt. At the end of FY 2014 the city owed \$68,657 for a garbage truck, \$902,721 for the sewer system, and \$179,563 for the water system. The city total capital asset debt was \$1,150,941 at the end of FY 2014.

Long-term debt

At the end of FY 2014, the town of Wibaux had long-term liabilities of \$26,199 for compensated absences of employees.

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Economic Factors and Fiscal Year Budgets for FY 2013 and FY 2014

- ⊕ The population of the city of Wibaux increased 11.6% or about 68 residents from 2010 to 2013. This compares to the Montana average of a 2.6% increase.
- ⊕ Residents of Wibaux County over the age of 65 made up 23.5% of the population in 2013 compared to Montana's 16.2% in 2013. Residents in the city of Wibaux over age 65 represent 27.7% of the population in 2013.
- ⊕ The unemployment rate for Wibaux County was 2.6% in June 2014. This compares to the Montana rate of 4.5% in June of 2014.
- ⊕ The poverty rate for Wibaux County was 13.3% for 2009-2013, when Montana was at 15.2%. The city of Wibaux had 10.2% of the population below poverty level in 2013.
- ⊕ The median household income in Wibaux County was \$45,625 compared to Montana at \$45,456 in 2013.

All of these and other factors were considered in preparing the FY 2013 and FY 2014 budgets for the town of Wibaux.

Requests for Information

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of the town of Wibaux for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the *City Clerk at 109 1st Avenue SE, Wibaux, MT 59353.*

TOWN OF WIBAUX, MONTANA

ORGANIZATION

Fiscal Year
Ended June 30, 2014

Mr. Stephen James

Mayor

TOWN COUNCIL

Mr. Shawn Gainan

Councilperson

Mr. David L. Bertelsen

Councilperson

Mr. Patrick Garneau

Councilperson

Mr. Alan Hutchins

Councilperson

TOWN OFFICIALS

Mr. Richard Heineman

Attorney

Mr. Shane Harrington

Chief of Police

Ms. Deborah McBride

Clerk/Treasurer

Mr. William Franks

Town Judge



PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
10 East Montana Ave
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Wibaux, Montana 59353

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wibaux, 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 the Town of Wibaux, Montana, 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 on pages i – xi and 33 - 35 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wibaux's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 37 - 39 are the responsibility of management and were derived from and relate 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 our opinion, the supplemental schedules are 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*, we have also issued our report dated June 3, 2015, on our consideration of the Town of Wibaux's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wibaux's internal control over financial reporting and compliance.

James J. Wosepka, PC

By *James J. Wosepka*
C.P.A.

June 3, 2015
Baker, Montana

TOWN OF WIBAUX
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 448,347	\$ 223,219	\$ 671,566
Petty cash	170	-	170
Restricted Assets:			
Cash and cash equivalents	-	275,886	275,886
Taxes/assessments receivable	7,475	-	7,475
Accounts/other receivables	-	26,562	26,562
Advances to/from other funds	-	-	-
Capital assets not being depreciated			
Land	6,696	29,764	36,460
Construction in progress	-	-	-
Capital assets being depreciated (net of accumulated depreciation)	233,647	1,911,010	2,144,657
Total Assets	696,335	2,466,441	3,162,776
LIABILITIES			
Current liabilities	2,395	2,852	5,247
Noncurrent liabilities:			
Due within one year	-	46,300	46,300
Due in more than one year	16,157	1,114,683	1,130,840
Total Liabilities	18,552	1,163,835	1,182,387
NET POSITION			
Net Investment in Capital Assets	240,343	789,834	1,030,177
Restricted for:			
Public Safety	10,056	-	10,056
Public Works R&D	41,683	-	41,683
Culture & Recreation	-	-	-
Bond Indenture Requirements	-	275,886	275,886
Unrestricted	385,701	236,886	622,587
Total Net Position	\$ 677,783	\$ 1,302,606	\$ 1,980,389

See accompanying notes to the financial statements.

TOWN OF WIBAUX
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for		Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
		Operating	Services, Fines, Forfeitures, etc.			Governmental	Business-type	
Primary government:								
Governmental activities:								
General government	\$ 115,534	\$ 1,225	\$ -	\$ -	\$ (114,309)	\$ -	\$ -	\$ (114,309)
Public safety	39,278	-	1,056	-	(38,222)	-	-	(38,222)
Public works	122,451	21,052	19,729	-	(81,670)	-	-	(81,670)
Public health	8,957	-	-	-	(8,957)	-	-	(8,957)
Culture and recreation	63,981	24,756	-	-	(39,225)	-	-	(39,225)
Housing and Community Development	-	-	-	-	-	-	-	-
Miscellaneous	247	-	-	-	(247)	-	-	(247)
Total governmental activities	350,448	47,033	20,785	-	(282,630)	-	-	(282,630)
Business-type activities:								
Water	79,465	89,832	-	-	-	10,367	-	10,367
Sewer	181,572	122,905	-	-	-	(58,667)	-	(58,667)
Solid Waste/Landfill	75,710	65,134	-	-	-	(10,576)	-	(10,576)
Total business-type activities	336,747	277,871	-	-	-	(58,876)	-	(58,876)
Total primary government	\$ 687,195	\$ 324,904	\$ 20,785	\$ -	(282,630)	(58,876)	-	(341,506)
General revenues:								
Property taxes	97,794							97,794
Licenses and permits	2,203							2,203
Unrestricted Federal/State shared revenue	155,261							155,261
Unrestricted investment earnings	4,518					135		4,653
Gain (Loss) on sale of capital assets	1,215					-		1,215
Miscellaneous	1,125					-		1,125
Total general revenues and transfers	262,116					135		262,251
Change in net position	(20,514)					(58,741)		(79,255)
Total net position - July 1, 2013 - as previously reported	701,528					1,361,920		2,063,448
Prior period adjustments	(3,231)					(573)		(3,804)
Total net position - July 1, 2013 as restated	698,297					1,361,347		2,059,644
Total net position - June 30, 2014	\$ 677,783	\$ 1,302,606	\$ -	\$ -		\$ 1,980,389		\$ 1,980,389

See accompanying notes to the financial statements.

**TOWN OF WIBAUX
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Description	Major Fund			Total Governmental Funds
	General	Gas Tax	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 356,772	\$ 35,232	\$ 56,343	\$ 448,347
Petty cash	170	-	-	170
Restricted cash	-	-	-	-
Tax/assessment receivable	5,503	-	1,972	7,475
Total Assets	362,445	35,232	58,315	455,992
DEFERRED INFLOWS OF RESOURCES-				
Unavailable revenue-property taxes	5,503	-	1,972	7,475
CURRENT LIABILITIES				
Accounts payable	950	-	1,445	2,395
FUND BALANCES				
Restricted	-	35,232	16,506	51,738
Committed	-	-	22,909	22,909
Assigned	-	-	15,483	15,483
Unassigned	355,992	-	-	355,992
Total Fund Balances	355,992	35,232	54,898	446,122
Total Deferred Inflows of Resources, Liabilities and Fund Balances	\$ 362,445	\$ 35,232	\$ 58,315	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Certain property tax collections are not available to pay current-period expenditures and are reported as deferred inflows in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Total net position of governmental funds
\$ 677,783

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

Description	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Gas Tax		
REVENUES				
Taxes/assessments	\$ 93,734	\$ -	\$ 20,685	\$ 114,419
Licenses and permits	2,203	-	-	2,203
Intergovernmental revenues	155,789	19,729	528	176,046
Charges for services	25,006	-	-	25,006
Fines and forfeitures	1,225	-	-	1,225
Miscellaneous	1,242	-	-	1,242
Investment and royalty earnings	4,467	-	51	4,518
Total Revenues	283,666	19,729	21,264	324,659
EXPENDITURES				
Current:				
General government	113,164	-	-	113,164
Public safety	29,000	-	-	29,000
Public works	47,334	40,490	19,559	107,383
Culture and recreation	58,188	-	-	58,188
Public health	8,957	-	-	8,957
Capital Outlay	18,649	-	-	18,649
Miscellaneous	247	-	-	247
Total Expenditures	275,539	40,490	19,559	335,588
Excess of revenues (under) expenditures	8,127	(20,761)	1,705	(10,929)
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	1,215	-	-	1,215
Transfers In	-	-	895	895
Transfers out	(895)	-	-	(895)
Total other financing sources (uses)	320	-	895	1,215
Net change in fund balances	8,447	(20,761)	2,600	(9,714)
Fund balances - July 1, 2013 - as previously reported	349,508	55,993	53,563	459,064
Prior period restatements	(1,963)	-	(1,265)	(3,228)
Fund balances - July 1, 2013 - as restated	347,545	55,993	52,298	455,836
Fund balances - June 30, 2014	\$ 355,992	\$ 35,232	\$ 54,898	\$ 446,122

See accompanying notes to the financial statements.

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

Net change in fund balances - total governmental funds (page 8)	<u>\$ (9,712)</u>
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	18,649
Depreciation expense	<u>(28,573)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	1,215
Proceeds from the sale of capital assets	<u>(1,215)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>4,059</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences	<u>(4,938)</u>
Change in Net Position in Governmental Activities	<u><u>\$ (20,515)</u></u>

**TOWN OF WIBAUX
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 161,637	\$ 58,169	\$ 3,412	\$ 223,218
Accounts/other receivables	8,583	12,210	5,768	26,561
Total Current Assets	170,220	70,379	9,180	249,779
Noncurrent Assets				
Restricted Assets:				
Cash and cash equivalents	106,571	133,316	36,000	275,887
Capital assets:				
Land	1,995	27,770	-	29,765
Machinery and equipment	13,112	-	149,412	162,524
Infrastructure (utility systems)	639,298	1,774,665	-	2,413,963
Less: accumulated depreciation	(338,240)	(269,506)	(57,732)	(665,478)
Capital assets - net of accumulated depreciation	316,165	1,532,929	91,680	1,940,774
Total Noncurrent Assets	422,736	1,666,245	127,680	2,216,661
Total Assets	592,956	1,736,624	136,860	2,466,440
LIABILITIES				
Current Liabilities				
Accounts payable	902	1,413	537	2,852
Contracts/loans/notes payable	3,800	26,100	16,400	46,300
Total Current Liabilities	4,702	27,513	16,937	49,152
Noncurrent Liabilities				
Contracts/loans/notes payable	175,764	876,621	52,257	1,104,642
Compensated absences	5,394	2,524	2,124	10,042
Total Noncurrent Liabilities	181,158	879,145	54,381	1,114,684
Total Liabilities	185,860	906,658	71,318	1,163,836
NET POSITION				
Net Investment in capital assets	136,602	630,208	23,023	789,833
Restricted for:				
Future Year Bond Reserves	11,912	56,412	-	68,324
Replacement & Depreciation	94,659	76,904	36,000	207,563
Unrestricted	163,925	66,442	6,519	236,886
Total Net Position	\$ 407,098	\$ 829,966	\$ 65,542	\$ 1,302,606

See accompanying notes to the financial statements.

TOWN OF WIBAUX
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
OPERATING REVENUES				
Charges for services	\$ 89,832	\$ 122,905	\$ 65,134	\$ 277,871
Special assessments	-	-	-	-
Total Operating Revenues	89,832	122,905	65,134	277,871
OPERATING EXPENSES				
Personal services	35,185	13,339	26,315	74,839
Supplies	3,025	8,503	11,704	23,232
Purchased services	17,036	74,498	23,715	115,249
Fixed charges	432	750	-	1,182
Depreciation	15,615	54,123	11,460	81,198
Total Operating Expenses	71,293	151,213	73,194	295,700
Operating Income (Loss)	18,539	(28,308)	(8,060)	(17,829)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	135	-	-	135
Debt service interest expense	(8,173)	(30,360)	(2,516)	(41,049)
Total Non-Operating Revenues (Expenses)	(8,038)	(30,360)	(2,516)	(40,914)
Change in net position	10,501	(58,668)	(10,576)	(58,743)
Total net position - July 1, 2013 - as previously reported	396,572	889,039	76,309	1,361,920
Prior period adjustments	25	(405)	(191)	(571)
Total net position - July 1, 2013 - as restated	396,597	888,634	76,118	1,361,349
Total net position - June 30, 2014	\$ 407,098	\$ 829,966	\$ 65,542	\$ 1,302,606

See accompanying notes to the financial statements.

**TOWN OF WIBAUX
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 89,912	\$ 123,142	\$ 65,351	\$ 278,405
Cash paid to suppliers	(19,628)	(82,337)	(34,903)	(136,868)
Cash paid to employees	(32,860)	(12,336)	(25,692)	(70,888)
Net cash provided (used) by operating activities	<u>37,424</u>	<u>28,469</u>	<u>4,756</u>	<u>70,649</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal on debt	(3,743)	(26,055)	(15,943)	(45,741)
Interest paid on debt	(8,173)	(30,360)	(2,516)	(41,049)
Net cash provided (used) by capital and related financing activities	<u>(11,916)</u>	<u>(56,415)</u>	<u>(18,459)</u>	<u>(86,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	135			135
Net cash provided (used) by investing activities	<u>135</u>	<u>-</u>	<u>-</u>	<u>135</u>
Net increase (decrease) in cash and cash equivalents	<u>25,643</u>	<u>(27,946)</u>	<u>(13,703)</u>	<u>(16,006)</u>
Cash and cash equivalents - July 1, 2013 - as previously reported	242,539	219,836	53,306	515,681
Prior period restatements	25	(405)	(191)	(571)
Cash and cash equivalents - July 1, 2013 - as restated	<u>242,564</u>	<u>219,431</u>	<u>53,115</u>	<u>515,110</u>
Cash and cash equivalents - June 30, 2014	<u>\$ 268,207</u>	<u>\$ 191,485</u>	<u>\$ 39,412</u>	<u>\$ 499,104</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 18,539	\$ (28,307)	\$ (8,060)	\$ (17,828)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	15,615	54,123	11,460	81,198
(Increase) Decrease in accounts receivable	80	237	217	534
Increase (Decrease) in accounts payable	865	1,413	516	2,794
Increase (decrease) in compensated absences pay.	2,325	1,003	623	3,951
Total adjustments	<u>18,885</u>	<u>56,776</u>	<u>12,816</u>	<u>88,477</u>
Net cash provided (used) by operating activities	<u>\$ 37,424</u>	<u>\$ 28,469</u>	<u>\$ 4,756</u>	<u>\$ 70,649</u>

See accompanying notes to the financial statements.

TOWN OF WIBAUX
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Trust Funds	Agency Funds
Description	Pension Trust Funds	Agency Composite
ASSETS		
Cash and cash equivalents	\$ 21,661	\$ 69,579
Total Assets	21,661	69,579
LIABILITIES		
Warrants payable	-	69,579
Total Liabilities	-	\$ 69,579
NET POSITION		
Held in trust for pension benefits and other purposes	\$ 21,661	

See accompanying notes to the financial statements.

**TOWN OF WIBAUX
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

Description	Trust Funds
	Pension Trust Funds
ADDITIONS:	
Intergovernmental revenue	\$ 528
Investment earnings	65
Total Additions	593
DEDUCTIONS:	
Benefit payments	4,425
Total Deductions	4,425
Change in net position	(3,832)
Total net position - July 1, 2013 - as previously reported	25,537
Prior period adjustments	(44)
Total net position - July 1, 2013 - as restated	25,493
Total net position - June 30, 2014	\$ 21,661

See accompanying notes to the financial statements.

TOWN OF WIBAUX, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of the Town of Wibaux (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The Town's significant accounting policies are described below.

Reporting Entity

The Town is governed by an elected Mayor and the Town Council. The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations within the Town's reporting entity, as set forth in GASB No.14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the Town as reporting entities.

Basic Financial Statements

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Town as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service fund activity has been eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

1. **Summary of Significant Accounting Policies - cont.**
Basic Financial Statements – cont.

The Government-wide Statement of Net Position reports all financial and capital resources of the Town, excluding fiduciary funds. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is that with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted is shown as unrestricted. Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Town are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements, are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

1. **Summary of Significant Accounting Policies - cont.**
Basic Financial Statements - cont.

The Town reports the following major funds:

General Fund – This is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Gas Tax Fund – This fund accounts for all revenues and expenditures related to receipts of gas tax and related expenditures for roads and streets except those accounted for in another fund.

The Town reports the following major proprietary funds:

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

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

Refuse Enterprise Fund - This fund accounts for the operating of the refuse pickup and disposal.

Additionally, the Town reports the following fund types:

Pension Trust Funds - These funds are used to account for the activities of a local retirement plan which accumulates resources for pension benefit payments to qualified employees.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year end). Revenue considered susceptible to accrual includes property taxes, sales and use taxes, transient occupancy taxes, licenses, fees, permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits, and penalties and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

1. **Summary of Significant Accounting Policies - cont.**
Basic Financial Statements - cont.

- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unrestricted fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Town's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total proprietary funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the proprietary funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net costs of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total proprietary funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Proprietary funds account for operations where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, proprietary funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity including capital costs such as depreciation or debt service must legally be recovered through fees and charges, or 3) it is the policy of the Town to establish activity fees or charges to recover the cost of providing services, including capital costs.

1. **Summary of Significant Accounting Policies - cont.**
Basic Financial Statements - cont.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Fiduciary funds account for assets held by the Town in a trustee or agency capacity on behalf of others and therefore, are not available to support Town programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements, as they are not an asset of the Town available to support Town programs.

Taxes and Assessments

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Proprietary Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained. Accounts receivable are reported as net of revenues collected in advance.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement No. 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

1. **Summary of Significant Accounting Policies - cont.**
Capital Assets – cont.

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	40
Vehicles	5
Equipment other than vehicles	10
Office equipment	5
Computer equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

Warrants Payable

The Town makes expenditures by means of warrants. Normally, these are treated as checks with the cash accounts credited at the time of issuance. However, if there are insufficient monies in a fund, the check/warrants are then registered. The account entitled Warrants Payable is credited instead of the cash account. When sufficient monies are available in the fund, the Warrants Payable account is debited and the cash account credited.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid. The liability for unused vacation and sick leave for proprietary fund employees is recorded as a long-term liability in the proprietary funds. The expenses were recorded when the liability was incurred as required by generally accepted accounting principles.

Long-term Debt

The Town has un-matured general long-term debt, including special assessment debt, for which the government is obligated in some manner. For more information on the long-term debt of the Town, see the long-term debt note.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

1. **Summary of Significant Accounting Policies - cont.**

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Fund Balances – Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Town Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

1. **Summary of Significant Accounting Policies - cont.**
Fund Balances – Governmental Funds – cont.

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Gas Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ -	\$ -	\$ -	\$ -
Spendable:				
Restricted:				
Public Works	-	35,232	6,450	41,682
Public Safety	-	-	10,056	10,056
Committed:				
General Government	-	-	22,909	22,909
Assigned:				
General Government	-	-	15,483	15,483
Unassigned	355,992	-	-	355,992
Total fund balances	<u>\$ 355,992</u>	<u>\$ 35,232</u>	<u>\$ 54,898</u>	<u>\$ 446,122</u>

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

2. **Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds, and net position-governmental activities as

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**
 reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Compensated absences	\$ (16,157)
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (16,157)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this difference are as follows:

Capital assets purchased	\$ 18,649
Depreciation expense	<u>(28,573)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,924)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (4,938)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (4,938)</u>

3. **Property Taxes**

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

3. **Property Taxes – cont.**

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

Taxes 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 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 Town is permitted by state statutes to levy taxes for various purposes. The taxes levied by the Town for the year ended June 30, 2014 were within the legal limits. The tax levies were based upon a taxable valuation of \$352,246.

4. **Cash and Investments**

The Town maintains a cash and investment pool for all funds under the control of the Town Treasurer. In addition, investments are separately held for several of the funds.

Authorized investments allowed by Section 20-9-213, MCA, include direct obligations of the United States government; savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state, repurchase agreements, and the State Unified Investment Program.

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer. All of the deposits are held in the Town's name as authorized by the State of Montana.

Custodial Credit Risk

The investment policy of the Town does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entities' money is insured for each "public unit" based on how the account is titled at the financial institution.

4. Cash and Investments – cont.

Credit, Interest Rate, and Foreign Currency Risk

The Town has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the Town, nor does the Town own any foreign investments. The composition of cash and investments on June 30, 2014 was as follows:

Cash on Hand:	
Petty Cash	\$ 170
Cash in Banks:	
Demand deposits	422,472
Certificates of deposit	547,006
Total per Balance Sheet	<u>\$ 969,648</u>

Deposits - At year end, the carrying amount of the Town's deposits was \$1,038,862 and the bank balance was \$1,039,200. These deposits include demand, time, and savings deposits. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$789,200 was uninsured but collateralized by securities pledged by the financial institution. This uninsured and collateralized portion was fully covered by collateral held by the financial institutions or by their trust departments or agents in the Town's name.

Montana statutes require that the Town obtain securities 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 has a net worth to total assets ratio of 6% or more or 2) securities equal to 100% of the net worth to total assets ratio of less than 6%. The state statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for Town deposits at June 30, 2014 exceeded the amount required by state statutes.

Investments - As noted above, statutes authorize the Town to invest in direct obligations of the United States government and securities issued by agencies of the United States, repurchase agreements, and the State Short Term Investment Pool (STIP). The Town had no such investments at June 30, 2014.

5. Operating Lease Commitments

The Town is bound by the following lease commitments which are considered for accounting purposes to be operating leases. The following lease agreements are with Wibaux County:

Operating Leases

<u>Leases</u>	<u>Payment</u>	<u>Term</u>
Solid Waste Disposal	\$2,875 per year plus tipping fees	Automatically renewed annually
Swimming Pool	1/2 Annual Costs	Automatically renewed annually
Lease with non governmental entity		
Office	\$200 per month plus all water, sewer, and garbage charges for the building.	Automatically renewed annually

6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,696	\$ -	\$ -	\$ 6,696
Total capital assets not being depreciated	<u>6,696</u>	<u>-</u>	<u>-</u>	<u>6,696</u>
Capital assets being depreciated				
Buildings	56,055	-	-	56,055
Improvements other than buildings	27,497	-	-	27,497
Machinery and equipment	359,646	18,649	-	378,295
Total capital assets being depreciated	<u>443,198</u>	<u>18,649</u>	<u>-</u>	<u>461,847</u>
Less accumulated depreciation for:				
Buildings	(15,175)	-	(1,204)	(16,379)
Improvements other than buildings	(16,499)	-	(1,375)	(17,874)
Machinery and equipment	(167,955)	-	(19,675)	(187,630)
Total accumulated depreciation	<u>(199,629)</u>	<u>-</u>	<u>(22,254)</u>	<u>(221,883)</u>
Net capital assets being depreciated	<u>243,569</u>			<u>239,964</u>
Governmental activities capital assets net	<u>\$ 250,265</u>			<u>\$ 246,660</u>
Depreciation expense was charged to:				
Public safety	\$ 8,797			
Public works	10,142			
Culture and Recreation	3,315			
	<u>\$ 22,254</u>			
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 29,765	\$ -	\$ -	\$ 29,765
Total capital assets not being depreciated	<u>29,765</u>	<u>-</u>	<u>-</u>	<u>29,765</u>
Capital assets being depreciated				
Machinery and equipment	162,524	-	-	162,524
Transmission and distribution	2,413,964	-	-	2,413,964
Total capital assets being depreciated	<u>2,576,488</u>	<u>-</u>	<u>-</u>	<u>2,576,488</u>
Less accumulated depreciation for:				
Machinery and equipment	(51,183)	-	(13,064)	(64,247)
Transmission and distribution	(533,096)	-	(61,827)	(594,923)
Total accumulated depreciation	<u>(584,279)</u>	<u>-</u>	<u>(74,891)</u>	<u>(659,170)</u>
Net capital assets being depreciated	<u>1,992,209</u>			<u>1,917,318</u>
Business-type activities assets net	<u>\$ 2,021,974</u>			<u>\$ 1,947,083</u>
Depreciation was charged to:				
Water utilities	\$ 16,088			
Sewer utilities	46,294			
Solid waste services	12,509			
	<u>\$ 74,891</u>			

7. Long-term Debt

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

	Balance July 1, 2013	Additions (Deletions)	Payments	Balance June 30, 2014
Garbage Truck Loan	\$ 84,600	\$ -	\$ 15,943	\$ 68,657
USDA Rural Development Bond (a)	478,957	-	20,018	458,939
USDA Rural Development Bond (b)	449,766	-	5,984	443,782
USDA Revenue Bonds (c)	183,307	-	3,744	179,563
Total	\$ 1,196,630	\$ -	\$ 45,689	\$ 1,150,941

Bonded Debt - Bonds payable at June 30, 2014 are comprised of the following individual issues:

Purpose	Issue Date	Interest Rate	Term of Bond	Maturity Date	Original Issued	Annual Serial Payment
(c)Water System	5/30/02	4.5%	40 yrs	5/8/2042	\$ 220,000	\$ 11,916

Revenues, bonds, and loans are directly related to and expected to be paid from specific proprietary funds.

The significant provisions of Resolution No. 2002-09 relating to the issuances of water systems are as follows:

1. The Town should maintain a separate and official set of records in accordance with generally accepted accounting principles and provide for an audit of the same.
2. Water rates should be established so net income after normal operating expenses leaves an amount so 10% of the monthly principal and interest payable on the 2002 issue be put into a Replacement and Depreciation Account. This is equal to \$100 per month.
3. A reserve should be established to guarantee payment of the bonds and interest. The Town shall credit to the Reserve Account the sum of \$11,616 and \$5,956 for the 2002 issue, which equals the maximum amount payable in any future year.
4. The Town will cause all buildings, properties, fixtures, and equipment constituting a part of the system to be adequately insured against risks and hazards as are ordinarily insured against by public utilities owning and operating properties of similar character and size.

(a)Sewer System	05/04/11	3.25%	20 yrs	5/4/31	\$ 500,000	\$ 35,340
(b)Sewer System	05/04/11	3.375%	40 yrs	5/4/51	\$ 456,000	\$ 21,072

7. **Long-term Debt – cont.**

The significant provisions of the Series 2011 Bonds are as follows:

1. Rates for the Town's sewer system have to be not less than 110% of the maximum principal and interest requirements on the bonds for the year.
2. A reserve should be established to guarantee payment of the bonds and interest. The Town shall credit to the reserve account the sum of \$471 per month, up to a total of \$56,412.
3. The Town shall establish a Repair and Replacement Account with a deposit of \$6,500. Each subsequent month, an additional \$155 is to be added to the account until the account is equal to \$25,000.
4. The Town will carry insurance on all buildings, properties, fixtures, and equipment and liability insurance.
5. The Town will provide audited financial statements to the bond handlers in accordance with generally accepted accounting principles and audited in compliance with generally accepted government auditing standards.
6. The monthly payment due is \$4,701 per month and is paid from the Sewer Fund.

During fiscal year ended June 2014, a loan was received on a garbage truck for \$84,600. The loan is to be repaid in five equal annual payments of \$18,459, which includes interest of 3%. The payment is made from the Garbage Fund.

Compensated Absences Payable - Compensated absences payable which represents vacation and sick leave earned by employees, which is payable upon termination, were as follows:

June 30, 2013	\$	17,310
earned		8,889
used		-
June 30, 2014	\$	<u>26,199</u>

\$16,157 is reported in the General Fund and \$10,042 in the Proprietary Funds.

Requirements to Amortize Debt - The annual requirements to amortize all long-term debt outstanding, except compensated absences payable, as of June 30, 2014 including interest payments, are as follows:

7. Long-term Debt – cont.

Annual Requirements to Amortize Long-term Debt

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 45,744	\$ 41,043	\$ 86,787
2016	47,255	39,532	86,787
2017	48,821	37,966	86,787
2018	50,436	36,351	86,787
2019	35,378	32,950	68,328
First Five Years	227,634	187,842	415,476
Second Five Years	196,340	145,300	341,640
Third Five Years	233,254	108,386	341,640
Fourth Five Years	161,806	69,983	231,789
Fifth Five Years	117,743	39,943	157,686
Sixth Five Years	79,773	28,395	108,168
Seventh Five Years	91,110	14,250	105,360
Eighth Five Years	43,281	1,186	44,467
Total Debt Service	<u>\$ 1,150,941</u>	<u>\$ 595,285</u>	<u>\$ 1,746,226</u>

8. Statewide Retirement Plan

The Town participates in a statewide multiple employer defined benefit retirement cost-sharing plan which covers all employees, except part time employees. The plan is established by state law and is administered by the Department of Administration of the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan issues publicly available annual reports that includes financial statements and required supplemental information for the plan. Those reports may be obtained from the following:

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

The financial statement for PERS includes activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be co-mingled with those of another plan.

Contribution rates for the plans are required and determined by state law. The contribution rates, expressed as a percentage of covered payrolls, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
PERS	7.07	6.90	13.97
PERS (hired after 7/1/12)	7.07	7.90	14.97

8. Statewide Retirement Plan – cont.

For the year ended June 30, 2014, the State of Montana contributed .1% of the employees’ payroll for PERS. This is considered an “on-behalf” payment. The Town does not record this contribution in their financial statements which is not in accordance with U.S. generally accepted accounting principles. The covered payroll for the plan is as follows:

Covered Payroll	\$	<u>121,457</u>
Employee Contributions	\$	9,594
Employer Contributions	\$	9,802

The Town’s contributions for the years ended June 30, 2012 and 2013 were \$8,665 and \$8,184 for PERS, respectively.

9. Transfers

During fiscal year ended June 30, 2014, there were no transfers.

10. Local Retirement Plan

Fire Department Relief Association Disability and Pension Fund - Town volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund which is established by state law. The Association is managed by a Board of Trustees made up of members of the Fire Department and the Disability and Pension Fund and is considered an independent reporting entity which is not included in the Town’s financial statements. The Town does maintain a Fire Department Relief Association Disability and Pension Fund as a pension trust.

A member of a volunteer fire department, who has served 20 active years of service or more and has reached age 55 is entitled to benefits. Volunteers serving less than 20 years, but more than 10 years, may receive reduced benefits. The amount of the pension benefits are set by the Association’s Board of Trustees.

The Town’s contributions to the plan for the fiscal year ended June 30, 2014 was \$0. The State’s contribution to the plan for the fiscal year 2014 was \$528.

Assets in the fund must be maintained at a level equal to, at least, 0.21%, but no more than 0.52% of the total assessed value of the Town’s taxable property or funding must be maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. If not, the Town is required to levy a tax.

The plan’s benefits, as established by the Association’s Board of Trustees, were as follows for the fiscal year ended June 30, 2014:

<u>Years of Service</u>	<u>Annual Pension Amount</u>
10-15	\$ 60
15-20	\$ 144
Over 20	\$ 300

10. **Local Retirement Plan – cont.**

No actuarial valuation or report of unfunded past service costs had been prepared for the Wibaux Fire Department Relief Association Disability and Pension Fund.

11. **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/investments account on the Combined Balance Sheet.

Enterprise Fund:

Water Revenue Bond Reserve	\$ 11,912
Water Reserve for Replacement and Depreciation	94,659
Sewer Bond Reserve	56,412
Sewer Reserve for Replacement and Depreciation	76,904
Garbage Reserve for Replacement and Depreciation	36,000
Total	<u>\$ 275,887</u>

12. **County Provided Services**

The Town is provided various financial services by Wibaux 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.

13. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the Town at June 30, 2014.

14. **Joint Ventures**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose.

Town-County Building - The Town of Wibaux and Wibaux County jointly own the Town-County Building. The Town pays for the operation and maintenance of the building and the County reimburses the Town for 50% of such expenses. For the fiscal year ended June 30, 2014, the County reimbursed the Town \$0 for the expenses.

Swimming Pool and Baseball Fields - The Town pays all the operating and maintenance expenses of maintaining the swimming pool and baseball fields. The County reimburses the Town for 50% of such expenses. For the fiscal year ended June 30, 2014, the County reimbursed the Town \$22,924 for the expenses.

Law Enforcement - The Town contracts with the County for general law enforcement services. The Town paid the County \$29,000 for these services for the fiscal year ended June 30, 2014.

15. **Estimates**

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

16. **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town participates in the Montana State Worker's Compensation Fund. The Town carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. **Subsequent Events**

The Town has evaluated subsequent events through the date of this report, the date which the financial statements were available to be issued.

18. **Prior Period Restatements**

The following fund balances as of June 30, 2013 have been restated due to prior period corrections.

General Fund	\$	(1,963)
Special Revenue Funds		(1,265)
Water		25
Sewer		(405)
Garbage		(191)

TOWN OF WIBAUX
REQUIRED
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2014

TOWN OF WIBAUX
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 117,995	\$ 117,995	\$ 93,734	\$ (24,261)
Licenses and Permits	2,100	2,100	2,203	103
Intergovernmental Revenue	141,050	141,050	155,789	14,739
Charges for Services	17,000	17,000	25,006	8,006
Fines and Forfeitures	600	600	1,225	625
Miscellaneous Revenues	700	700	1,242	542
Investment and Royalty Earnings	4,000	4,000	4,467	467
Total revenues	<u>283,445</u>	<u>283,445</u>	<u>283,666</u>	<u>221</u>
Expenditures:				
Current:				
General Government	112,584	112,584	113,412	(828)
Public Safety	34,200	34,200	29,000	5,200
Public Works	33,000	33,000	47,334	(14,334)
Public Health	5,300	5,300	8,957	(3,657)
Housing/Community Service	-	-	-	-
Culture and Recreation	64,050	64,050	58,187	5,863
Capital Outlay	132,000	132,000	18,649	113,351
Total expenditures	<u>381,134</u>	<u>381,134</u>	<u>275,539</u>	<u>105,595</u>
Excess of revenues over (under) expenditures	<u>(97,689)</u>	<u>(97,689)</u>	<u>8,127</u>	<u>105,816</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	-	-	1,215	1,215
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	(895)	(895)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>320</u>	<u>320</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (97,689)</u>	<u>\$ (97,689)</u>	<u>8,447</u>	<u>\$ 106,136</u>
Fund Balances - July 1, 2013 - as previously reported			349,508	
Prior period adjustments			<u>(1,963)</u>	
Fund Balances - July 1, 2013 - as restated			<u>347,545</u>	
Fund Balances - June 30, 2014			<u>\$ 355,992</u>	

TOWN OF WIBAUX
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Gas Tax Fund
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	19,729	19,729	19,729	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total revenues	<u>19,729</u>	<u>19,729</u>	<u>19,729</u>	<u>-</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	70,000	70,000	40,490	29,510
Public Health	-	-	-	-
Housing/Community Service	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>40,490</u>	<u>29,510</u>
Excess of revenues over (under) expenditures	<u>(50,271)</u>	<u>(50,271)</u>	<u>(20,761)</u>	<u>29,510</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (50,271)</u>	<u>\$ (50,271)</u>	<u>(20,761)</u>	<u>\$ 29,510</u>
Fund Balances - July 1, 2013			<u>55,993</u>	
Fund Balances - June 30, 2014			<u>\$ 35,232</u>	

TOWN OF WIBAUX

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

Budgets and Budgetary Accounting

The Town adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40, of the Montana Code Annotated. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget, and the final adoption of the budget by the latter of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuations from the Department of Revenue (County Assessor). The Town must also submit a copy of the final budget to the Department of Administration by the latter of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

State statutes limit the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law and, in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

Encumbrances

Encumbrance accounting is (is not) employed for the governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The Town does utilize a formal encumbrance accounting system. There were no outstanding encumbrances at June 30, 2014.

**TOWN OF WIBAUX
WIBAUX, MONTANA**

SUPPLEMENTAL SCHEDULES

Year Ended June 30, 2014

TOWN OF WIBAUX
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-major Special Revenue Funds
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 21,747	\$ 21,747	\$ 20,685	\$ (1,062)
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	509	509	528	19
Investment and Royalty Earnings	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Total revenues	<u>22,256</u>	<u>22,256</u>	<u>21,213</u>	<u>(1,043)</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	5,000	5,000	-	5,000
Public Works	20,450	20,450	19,559	891
Culture and Recreation	-	-	-	-
Housing and Community Development	-	-	-	-
Capital Outlay	20,000	20,000	-	20,000
Miscellaneous	-	-	-	-
Total expenditures	<u>45,450</u>	<u>45,450</u>	<u>19,559</u>	<u>25,891</u>
Excess of revenues over expenditures	<u>(23,194)</u>	<u>(23,194)</u>	<u>1,654</u>	<u>24,848</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	895	895
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>895</u>	<u>895</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (23,194)</u>	<u>\$ (23,194)</u>	<u>2,549</u>	<u>\$ 25,743</u>
Fund Balances - July 1, 2013 - as previously reported			38,131	
Prior Period Adjustments			<u>(1,265)</u>	
Fund Balances - July 1, 2013 - as restated			<u>36,866</u>	
Fund Balances - June 30, 2014			<u>\$ 39,415</u>	

TOWN OF WIBAUX
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-major Capital Projects
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	51	51
Total revenues	<u>-</u>	<u>-</u>	<u>51</u>	<u>51</u>
Expenditures:				
Current:				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>51</u>	<u>51</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>51</u>	<u>\$ 51</u>
Fund Balances - July 1, 2013			<u>15,432</u>	
Fund Balances - June 30, 2014			<u>\$ 15,483</u>	



PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
10 East Montana Ave
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

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 Town Council
Wibaux, Montana 59353

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 the Town of Wibaux, 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 Wibaux, Montana's basic financial statements, and have issued our report thereon dated June 3, 2015.

Internal Control over Financial Reporting

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

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wibaux, Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James J. Wosepka, PC

By 
CMT

June 3, 2015
Baker, Montana

TOWN OF WIBAUX
WIBAUX, MONTANA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

ANNUAL FINANCIAL REPORT NOT TIMELY FILED

Criteria: MCA 2-7-503 and 7-6-611(2) require the Annual Financial Report of the preceding year to be filed with the State within six months of the end of the reporting period.

Condition: The Annual Financial report for June 30, 2014 was not filed until February 2015.

Effect: The report was late.

Recommendation: Have enough staff available to complete the work timely.

Prior Year Findings

Overspent Budget – Corrected