

CITY OF WOLF POINT
ROOSEVELT COUNTY
WOLF POINT, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF WOLF POINT

ORGANIZATION

June 30, 2014

MAYOR

Chris Dschaak

CITY COUNCIL

Craig Rodenberg	Councilperson
Judy Page	Councilperson
Rollin Paulson	Councilperson
Laurie Evans	Councilperson
Travis Braaten	Councilperson
Tina Bets His Medicine	Councilperson
Dave Block	Councilperson
Ashley Moran	Councilperson

OFFICIALS

Contract with Roosevelt County	Attorney
Marlene R. Mahlum	Clerk/Treasurer
Jeff Harada	Chief of Police
Traci Harada	City Judge

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Wolf Point
Wolf Point, Montana

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 City of Wolf Point, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government'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 government, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the government'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 government's internal control over financial reporting and compliance.

Olness & Associates, PC

Billings, Montana
May 11, 2015

CITY OF WOLF POINT
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the City of Wolf Point's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements and footnotes which begin on page 8.

FINANCIAL HIGHLIGHTS

- Total net position of the City of Wolf Point decreased \$276,555 during fiscal year 2014.
- Governmental activities net position decreased \$352,682. The decrease is mainly due to current year depreciation expense.
- The General fund fund balance increased by \$218,637 mainly due to the increased revenue from the oil & gas distribution (HB 765) and conservative spending. The other governmental funds saw fund balance increase \$33,324. There were no significant projects implemented during this fiscal year. This resulted in a \$251,961 increase in the fund balance of the governmental funds.
- The net position for the business-type activities increased by \$76,127. Revenues decreased \$43,580 and expenses increased from the previous year by approximately \$98,214. This was due to on-going legal fees due to a legal matter in the Sewer fund, which was resolved in January 2014. The decrease in revenues is solely due to water and sewer usage.

USING THIS AUDIT REPORT

Government-wide financial statements

One of the most important questions asked about the government's finances is, *"Is the City of Wolf Point as a whole better off or worse off as a result of the year's activities?"* The Statement of Net Position and the Statement of Activities (pages 8 and 9) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and the changes in it. You can think of net position—the difference between assets and liabilities—as one way to measure the government's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities – Basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities – Fees are charged to customers to help cover all or most of the cost of certain services provided. The water and sewer system and solid waste services are reported here.

Fund financial statements

The fund financial statements (pages 10 and 12) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 11 and 13, respectively).

CITY OF WOLF POINT
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary funds—Fees are charged to customers for the services provided—whether to outside customers or to other units of the government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for the intended purposes.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, total assets exceeded liabilities by \$20,376,097 as of June 30, 2014. Governmental activities net position decreased \$352,682. The decrease was mainly due to current year depreciation. Business-type net position increased \$76,127. The largest portion of the city's net position (71%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Wolf Point uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The following is a schedule of net position for the governmental and business-type activities.

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,107,599	\$ 1,910,638	\$ 4,665,034	\$ 4,330,272	\$ 6,772,633	\$ 6,240,910
Capital assets	6,806,217	7,452,536	9,759,631	10,076,681	16,565,848	17,529,217
Total assets	8,913,816	9,363,174	14,424,665	14,406,953	23,338,481	23,770,127
Other liabilities	31,286	95,783	97,032	91,210	128,318	186,993
Long-term liabilities outstanding	388,278	420,457	2,445,788	2,510,025	2,834,066	2,930,482
Total liabilities	419,564	516,240	2,542,820	2,601,235	2,962,384	3,117,475
Net position:						
Net investment in capital assets	6,529,447	7,149,701	7,964,931	8,196,867	14,494,378	15,346,568
Restricted	942,541	787,718	226,979	217,041	1,169,520	1,004,759
Unrestricted	1,022,264	909,515	3,689,935	3,391,810	4,712,199	4,301,325
	\$ 8,494,252	\$ 8,846,934	\$ 11,881,845	\$ 11,805,718	\$ 20,376,097	\$ 20,652,652

CITY OF WOLF POINT
MANAGEMENT'S DISCUSSION & ANALYSIS

The following schedule of changes in net position provides a comparison of the city's governmental and business-type activities from the prior year (2013) to the current year (2014).

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 639,545	\$ 674,067	\$ 1,653,893	\$ 1,805,006	\$ 2,293,438	\$ 2,479,073
Operating grants and contributions	208,922	342,210	459	452	209,381	342,662
Capital grants and contributions	-	202,636	-	-	-	202,636
General revenues:						
Taxes	393,000	377,105	-	-	393,000	377,105
Licenses and permits	25,477	24,537	-	-	25,477	24,537
Intergovernmental	563,023	501,571	-	-	563,023	501,571
Interest	14,712	16,284	31,452	29,422	46,164	45,706
Miscellaneous	65	85	-	-	65	85
Gain on disposal of capital assets	-	-	4,738	9,242	4,738	9,242
<i>Special item-settlement</i>	-	-	110,000	-	110,000	-
Total revenues and special items	1,844,744	2,138,495	1,800,542	1,844,122	3,645,286	3,982,617
Expenses:						
General government	99,046	83,328	-	-	99,046	83,328
Public safety	754,891	746,644	-	-	754,891	746,644
Public works	1,152,881	1,457,638	-	-	1,152,881	1,457,638
Public health	50,406	52,848	-	-	50,406	52,848
Culture and recreation	106,356	92,174	-	-	106,356	92,174
Housing and community development	21,408	107,274	-	-	21,408	107,274
Water	-	-	607,035	593,975	607,035	593,975
Sewer	-	-	487,935	459,590	487,935	459,590
Solid Waste	-	-	629,445	572,636	629,445	572,636
Interest on long-term debt	12,438	13,645	-	-	12,438	13,645
Total expenses	2,197,426	2,553,551	1,724,415	1,626,201	3,921,841	4,179,752
Change in net position	(352,682)	(415,056)	76,127	217,921	(276,555)	(197,135)
Net position, beginning	8,846,934	9,261,990	11,805,718	11,587,797	20,652,652	20,849,787
Net position, ending	\$ 8,494,252	\$ 8,846,934	\$ 11,881,845	\$ 11,805,718	\$ 20,376,097	\$ 20,652,652

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet these tests. The General fund is always reported as a major fund.

- 1) Total assets, liabilities and deferred inflows of resources, revenues, or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).
- 2) The same element that met the 10 percent criteria is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

For fiscal year 2014, the major funds for the City of Wolf Point are the General fund and the following enterprise funds: Water, Sewer and Solid Waste.

General fund fund balance increased by \$218,637 due to increased oil & gas distribution (HB 758) and conservative spending. There were no General fund budget amendments.

Information for the major enterprise funds is presented in the Statement of Net Position (page 14) and the Statement of Revenues, Expenses and Changes in Net Position (page 15).

CITY OF WOLF POINT
MANAGEMENT'S DISCUSSION & ANALYSIS

Net position for the Water fund increased \$9,066 or less than one percent.

The Sewer fund reported an increase in net position of \$70,779 or less than two percent.

The Solid Waste fund reported a decrease in net position of \$3,718.

CAPITAL ASSET AND DEBT ADMINISTRATION

Upon a recent inspection of the L.M. Clayton Airport, several items were in violation of Part 139. Some items were immediately corrected, while others will need to be corrected, i.e. drainage issues and windsock relocation.

Two vehicles were purchased for the police department. An air compressor was also purchased and the remaining windows at the City office were replaced.

Improvements were made to the water treatment plant, with the purchase of a dehumidifier.

The legal matter involving the sewer lagoon aeration system was finally resolved. A settlement was reached and the matter was finally put to rest. While the City did not recoup all of its costs, the matter was resolved without going to court.

One of the two sewer loans (#04) will be paid in July 2014.

THE GOVERNMENT'S FUTURE

The City was awarded a \$750,000 HOME Grant to assist in the construction of a 24-unit housing complex (Wolf Point Village to be built on the north side of Wolf Point near the hospital). The developer, Jonathan Reed has been working with the City to satisfy the requirements of the HOME Grant. Construction needs to be completed by October 2015 in order to utilize the tax credits he was awarded for this project.

With the construction of the Assiniboine-Sioux Rural Water System, the City of Wolf Point has been asked to hookup to the system, which will eventually supply water to all who reside within the boundaries of the Fort Peck Indian Reservation. Information is being obtained to assist city officials in making the decision in the best interest of the citizens of Wolf Point. The system is new and there are some issues that need to be dealt with. Funding for this project is coming from the Federal government, which will also supply the funds for the on-going maintenance of the system. The City of Wolf Point has significant debt and is concerned how this debt will be reduced under this scenario. Considerable amounts of work has been put forward to develop a Water Service Agreement.

Funding is desperately needed for street improvements. The annual assessments charged to the property owners of the City of Wolf Point are not sufficient alone to do any large project. Additional funding is necessary in order to make a project big enough to make it worth bidding.

The City of Wolf Point celebrates its 100th Anniversary during 2015. A committee is working on a variety of events to be held during the Wolf Point Stampede during July 2015.

It is the desire of the City of Wolf Point to continue to provide the community with the services they have come to expect. The city will do its best to be fiscally responsible and protect the city's assets. Improvement to the community as a whole is the focus of our new Mayor and Council.

CITY OF WOLF POINT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 454,937	\$ 380,677	\$ 835,614
Investments	1,520,003	384,915	1,904,918
Receivables:			
Taxes and assessments	68,258	190	68,448
Utility	-	179,394	179,394
Other	52,146	-	52,146
Restricted assets:			
Investments	-	3,719,858	3,719,858
Inventories	12,255	-	12,255
Capital assets:			
Land	46,108	74,945	121,053
Capital assets, net of accumulated depreciation	6,760,109	9,684,686	16,444,795
Total assets	8,913,816	14,424,665	23,338,481
LIABILITIES			
Accounts payable-vendors	27,303	12,774	40,077
Deposits payable	3,983	84,258	88,241
Long-term liabilities:			
Due within one year:			
Bonds and notes	26,616	61,988	88,604
Compensated absences	8,159	19,646	27,805
Due in more than one year:			
Bonds and notes	250,154	1,732,712	1,982,866
Compensated absences	73,428	45,642	119,070
Landfill closure/postclosure costs payable	-	558,125	558,125
Other post employment benefits	29,921	27,675	57,596
Total liabilities	419,564	2,542,820	2,962,384
NET POSITION			
Net investment in capital assets	6,529,447	7,964,931	14,494,378
Restricted for:			
Nonexpendable:			
Permanent fund-perpetual cemetery	35,406	-	35,406
General government	559	-	559
Public safety	67,297	-	67,297
Public works	552,272	-	552,272
Culture and recreation	1,436	-	1,436
Housing and community development	54,303	-	54,303
Debt service	15,705	145,079	160,784
Capital projects	215,563	-	215,563
Landfill closure/postclosure care	-	81,900	81,900
Unrestricted	1,022,264	3,689,935	4,712,199
Total net position	\$ 8,494,252	\$ 11,881,845	\$ 20,376,097

CITY OF WOLF POINT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 99,046	\$ 26,353	\$ -	\$ (72,693)	\$ -	\$ (72,693)
Public safety	754,891	46,486	134,940	(573,465)	-	(573,465)
Public works	1,152,881	525,049	56,192	(571,640)	-	(571,640)
Public health	50,406	-	-	(50,406)	-	(50,406)
Culture and recreation	106,356	41,657	190	(64,509)	-	(64,509)
Housing and community development	21,408	-	17,600	(3,808)	-	(3,808)
Interest on long-term debt	12,438	-	-	(12,438)	-	(12,438)
Total governmental activities	2,197,426	639,545	208,922	(1,348,959)	-	(1,348,959)
Business-type activities:						
Water	607,035	601,186	135	-	(5,714)	(5,714)
Sewer	487,935	436,985	99	-	(50,851)	(50,851)
Solid Waste	629,445	615,722	225	-	(13,498)	(13,498)
Total business-type activities	1,724,415	1,653,893	459	-	(70,063)	(70,063)
Total	\$ 3,921,841	\$ 2,293,438	\$ 209,381	(1,348,959)	(70,063)	(1,419,022)
General revenues:						
Property taxes				393,000	-	393,000
Licenses and permits				25,477	-	25,477
Intergovernmental				563,023	-	563,023
Unrestricted investment earnings				14,712	31,452	46,164
Miscellaneous				65	4,738	4,803
<i>Special item - settlement</i>				-	110,000	110,000
Total general revenues and special item				996,277	146,190	1,142,467
Change in net position				(352,682)	76,127	(276,555)
Net position - beginning				8,846,934	11,805,718	20,652,652
Net position - ending				\$ 8,494,252	\$ 11,881,845	\$ 20,376,097

CITY OF WOLF POINT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 194,857	\$ 260,080	\$ 454,937
Investments	651,041	868,962	1,520,003
Receivables:			
Taxes and assessments	37,138	31,120	68,258
Other	28,399	23,747	52,146
Due from other funds	-	16,353	16,353
Inventories	12,255	-	12,255
Total assets	\$ 923,690	\$ 1,200,262	\$ 2,123,952
LIABILITIES			
Accounts payable-vendors	\$ 17,460	\$ 9,843	\$ 27,303
Due to other funds	-	16,353	16,353
Deposits payable	3,983	-	3,983
Total liabilities	21,443	26,196	47,639
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-taxes and assessments	37,138	31,120	68,258
Total deferred inflows of resources	37,138	31,120	68,258
FUND BALANCES			
Nonspendable:			
Inventory	12,255	-	12,255
Permanent fund-perpetual cemetery	-	35,406	35,406
Restricted for:			
General government	-	25	25
Public safety	-	67,297	67,297
Public works	-	524,534	524,534
Culture and recreation	-	1,436	1,436
Housing and community development	-	54,303	54,303
Debt service	-	12,857	12,857
Capital projects	-	215,563	215,563
Committed for:			
General government	-	247,878	247,878
Unassigned	852,854	(16,353)	836,501
Total fund balances	865,109	1,142,946	2,008,055
Total liabilities, deferred inflows of resources and fund balances	\$ 923,690	\$ 1,200,262	\$ 2,123,952

CITY OF WOLF POINT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances, governmental funds	\$ 2,008,055
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	6,806,217
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the fund financial statements.	68,258
Some liabilities, (such as bonds, notes, other post employment benefits and compensated absences), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(388,278)</u>
Net position of governmental activities	<u>\$ 8,494,252</u>

CITY OF WOLF POINT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes/assessments	\$ 345,029	\$ 247,164	\$ 592,193
Fines and forfeitures	10,953	24,261	35,214
Licenses and permits	25,477	-	25,477
Intergovernmental	645,366	103,240	748,606
Charges for services	371,248	24,393	395,641
Investment earnings	8,399	6,313	14,712
Miscellaneous	4,065	19,339	23,404
Total revenues	1,410,537	424,710	1,835,247
EXPENDITURES			
Current:			
General government	68,277	34,760	103,037
Public safety	609,863	77,762	687,625
Public works	391,060	151,224	542,284
Public health	56,563	-	56,563
Culture and recreation	82,810	16,444	99,254
Housing and community development	-	21,408	21,408
Debt service:			
Principal	10,564	15,501	26,065
Interest and other charges	1,355	11,083	12,438
Capital outlay	-	34,612	34,612
Total expenditures	1,220,492	362,794	1,583,286
Excess (deficiency) of revenues over expenditures	190,045	61,916	251,961
OTHER FINANCING SOURCES (USES)			
Transfers in	36,402	101,090	137,492
Transfers out	(7,810)	(129,682)	(137,492)
Total other financing sources (uses)	28,592	(28,592)	-
Net change in fund balances	218,637	33,324	251,961
Fund balances - beginning	646,472	1,109,622	1,756,094
Fund balances - ending	\$ 865,109	\$ 1,142,946	\$ 2,008,055

CITY OF WOLF POINT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 251,961
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlay for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>	
This is the amount by which depreciation (\$680,931) exceeded capital outlay (\$34,612) in the current period.	(646,319)
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	9,497
<p>Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of principal repaid during the year.</p>	
	26,065
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:</p>	
Other post employment benefits	3,130
Compensated absences	2,984
	(352,682)
Change in net position of governmental activities	\$ (352,682)

CITY OF WOLF POINT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 177,768	\$ 92,833	\$ 110,076	\$ 380,677
Investments	11,385	173,667	199,863	384,915
Receivables:				
Taxes and assessments	-	-	190	190
Utility	66,289	48,656	64,449	179,394
Total current assets	255,442	315,156	374,578	945,176
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Investments	1,655,443	696,769	1,367,646	3,719,858
	<u>1,655,443</u>	<u>696,769</u>	<u>1,367,646</u>	<u>3,719,858</u>
Capital assets:				
Land	1,600	195	73,150	74,945
Utility system	8,084,567	7,042,956	954,216	16,081,739
Buildings and systems	152,001	22,717	88,414	263,132
Equipment and furniture	395,494	320,785	1,097,170	1,813,449
Less accumulated depreciation	(3,870,779)	(3,403,777)	(1,199,078)	(8,473,634)
Capital assets, net	<u>4,762,883</u>	<u>3,982,876</u>	<u>1,013,872</u>	<u>9,759,631</u>
Total non-current assets	6,418,326	4,679,645	2,381,518	13,479,489
Total assets	6,673,768	4,994,801	2,756,096	14,424,665
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	6,812	870	5,092	12,774
Deposits payable	84,258	-	-	84,258
Compensated absences	1,626	1,436	16,584	19,646
Bonds payable	41,371	20,617	-	61,988
Total current liabilities	134,067	22,923	21,676	178,666
Non-current liabilities:				
Compensated absences	14,632	12,919	18,091	45,642
Closure/postclosure care	-	-	558,125	558,125
Other post employment benefits	7,676	5,895	14,104	27,675
Bonds payable	704,533	1,028,179	-	1,732,712
Total non-current liabilities	726,841	1,046,993	590,320	2,364,154
Total liabilities	860,908	1,069,916	611,996	2,542,820
NET POSITION				
Net investment in capital assets	4,016,979	2,934,080	1,013,872	7,964,931
Restricted for debt service-bond reserve	51,256	93,823	-	145,079
Landfill closure/postclosure care	-	-	81,900	81,900
Unrestricted	1,744,625	896,982	1,048,328	3,689,935
Total net position	\$ 5,812,860	\$ 3,924,885	\$ 2,144,100	\$ 11,881,845

See notes to basic financial statements.

CITY OF WOLF POINT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Solid Waste	
REVENUES				
Charges for services	\$ 601,186	\$ 436,985	\$ 615,722	\$ 1,653,893
Total operating revenues	601,186	436,985	615,722	1,653,893
OPERATING EXPENSES				
Personal services	200,961	148,872	339,321	689,154
Supplies	86,771	22,191	79,166	188,128
Purchased services	112,637	120,230	78,966	311,833
Building materials	2,570	3,271	3,872	9,713
Fixed charges	12,258	6,010	22,944	41,212
Closure/postclosure costs	-	-	16,524	16,524
Depreciation	160,174	141,732	88,652	390,558
Total operating expenses	575,371	442,306	629,445	1,647,122
Operating income (loss)	25,815	(5,321)	(13,723)	6,771
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	14,780	6,892	9,780	31,452
Operating grants and contributions	135	99	225	459
Miscellaneous revenue	-	4,738	-	4,738
Interest expense	(31,664)	(45,629)	-	(77,293)
Total non-operating revenues (expenses)	(16,749)	(33,900)	10,005	(40,644)
Income (loss) before special item	9,066	(39,221)	(3,718)	(33,873)
<i>Special item - settlement</i>	-	110,000	-	110,000
Change in net position	9,066	70,779	(3,718)	76,127
Net position - beginning	5,803,794	3,854,106	2,147,818	11,805,718
Net position - ending	<u>\$ 5,812,860</u>	<u>\$ 3,924,885</u>	<u>\$ 2,144,100</u>	<u>\$ 11,881,845</u>

CITY OF WOLF POINT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 597,019	\$ 436,634	\$ 611,836	\$ 1,645,489
Cash paid to employees	(200,901)	(148,418)	(335,482)	(684,801)
Cash paid to suppliers for goods and services	(216,339)	(151,731)	(186,303)	(554,373)
Net cash provided by operating activities	<u>179,779</u>	<u>136,485</u>	<u>90,051</u>	<u>406,315</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from operating grants	135	99	225	459
Increase in deposits payable	9,308	-	-	9,308
Cash received from miscellaneous sources	-	4,738	-	4,738
Cash received <i>Special item</i> -settlement	-	110,000	-	110,000
Net cash provided by noncapital financing activities	<u>9,443</u>	<u>114,837</u>	<u>225</u>	<u>124,505</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(60,260)	(13,249)	-	(73,509)
Principal payments on debt	(39,712)	(45,402)	-	(85,114)
Interest paid	(31,664)	(45,629)	-	(77,293)
Net cash used by capital financing activities	<u>(131,636)</u>	<u>(104,280)</u>	<u>-</u>	<u>(235,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(434,205)	(303,429)	(284,017)	(1,021,651)
Interest received	14,780	6,892	9,780	31,452
Net cash used by investing activities	<u>(419,425)</u>	<u>(296,537)</u>	<u>(274,237)</u>	<u>(990,199)</u>
Change in cash and cash equivalents	(361,839)	(149,495)	(183,961)	(695,295)
Cash and cash equivalents - beginning	539,607	242,328	294,037	1,075,972
Cash and cash equivalents - ending	<u>\$ 177,768</u>	<u>\$ 92,833</u>	<u>\$ 110,076</u>	<u>\$ 380,677</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 25,815	\$ (5,321)	\$ (13,723)	\$ 6,771
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	160,174	141,732	88,652	390,558
Closure/postclosure costs	-	-	16,524	16,524
Increase in accounts receivable	(4,167)	(352)	(3,973)	(8,492)
Decrease in assessments receivable	-	-	87	87
Decrease in accounts payable	(2,103)	(28)	(1,355)	(3,486)
Decrease in other post employment benefits	(803)	(617)	(1,476)	(2,896)
Increase in compensated absences	863	1,071	5,315	7,249
Net cash provided by operating activities	<u>\$ 179,779</u>	<u>\$ 136,485</u>	<u>\$ 90,051</u>	<u>\$ 406,315</u>

See notes to basic financial statements.

CITY OF WOLF POINT
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 29,398
Taxes/assessments receivable	<u>2,365</u>
Total assets	<u>\$ 31,763</u>
LIABILITIES	
Accounts payable	\$ 738
Due to other governments	<u>31,025</u>
Total liabilities	<u>\$ 31,763</u>

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. 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. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

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

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

The government reports the following major proprietary funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund types:

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

The City maintains and controls a cash and investment portfolio for all funds. The investment portfolio is managed by the City Clerk/Treasurer and overseen by the Mayor and City Council. The City Clerk/Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the City's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. Investments are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents. Investment income is allocated to individual funds owning the investment. At year-end, the net change in fair value is allocated to individual funds owning the investments.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Utility and taxes/assessments receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

Certain cash assets of the enterprise fund have been set aside and are classified management or by applicable bond covenants. The bond reserve account (\$145,079) is used to report resources set aside to make up potential future deficiencies. The replacement and depreciation (\$2,850,529) account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. \$84,225 is also set aside for deposits.

Additionally, the government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. \$640,025 is reported as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	50
Infrastructure	50
Building and improvements	15-50
Machinery and equipment	5-15

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

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

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk/treasurer, in conjunction with the city council to assign fund balance. There was no assigned fund balance in the general fund.

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

Use of 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.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The CTEP Gazebo (\$8,354) and Airport CIP (\$7,999) funds had deficit fund balances as of June 30, 2014. The deficits occurred because current year expenditures exceeded current year revenues. Management expects to eliminate the deficits through transfers from the General fund.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 1,974,940
Business-type activities	4,485,450
Fiduciary funds	<u>29,398</u>
	<u><u>\$ 6,489,788</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,097	\$ -	\$ 2,097
Cash in banks:			
Demand deposits	584,740	-	584,740
Savings	252,586	-	252,586
Time deposits	-	4,994,835	4,994,835
Brokers:			
Money markets	13,082	-	13,082
U.S. Government securities	-	629,941	629,941
Short-term Investment Program (STIP)	<u>12,507</u>	<u>-</u>	<u>12,507</u>
	<u><u>\$ 865,012</u></u>	<u><u>\$ 5,624,776</u></u>	<u><u>\$ 6,489,788</u></u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,800,375 of the government's bank balance of \$5,900,632 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u><u>\$ 2,800,375</u></u>
-------------------------------------------------------------------------------------------------------	----------------------------

State statutes require that the government obtain securities for the uninsured portion of 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.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Cost	Fair Value	% of Total
Time deposits	.55 to 1.1%	Various	\$ 4,994,835	\$ 4,994,835	\$ 4,994,835	88.80%
U.S Government securities	.375 to 2.5%	Various	628,000	<u>629,941</u>	<u>617,876</u>	11.20%
				<u><u>\$ 5,624,776</u></u>	<u><u>\$ 5,612,711</u></u>	

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Cost	Fair Value
	1	2	3		
Broker money market accounts	\$ 13,082	\$ -	\$ -	\$ 13,082	\$ 13,082
U.S. Government securities	500,000	-	129,941	629,941	629,941
	<u>\$ 513,082</u>	<u>\$ -</u>	<u>\$ 129,941</u>	643,023	643,023
Uncategorized: STIP				12,507	12,507
				<u>\$ 655,530</u>	<u>\$ 655,530</u>

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 46,108	\$ -	\$ -	\$ 46,108
Total capital assets, not being depreciated	<u>46,108</u>	<u>-</u>	<u>-</u>	<u>46,108</u>
Capital assets, being depreciated				
Buildings/improvements	7,582,679	-	-	7,582,679
Machinery and equipment	2,403,248	34,612	-	2,437,860
Infrastructure	339,927	-	-	339,927
Total capital assets, being depreciated	<u>10,325,854</u>	<u>34,612</u>	<u>-</u>	<u>10,360,466</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,789,992)	(549,801)	-	(2,339,793)
Machinery and equipment	(1,082,640)	(112,059)	-	(1,194,699)
Infrastructure	(46,794)	(19,071)	-	(65,865)
Total accumulated depreciation	<u>(2,919,426)</u>	<u>(680,931)</u>	<u>-</u>	<u>(3,600,357)</u>
Total capital assets, being depreciated, net	<u>7,406,428</u>	<u>(646,319)</u>	<u>-</u>	<u>6,760,109</u>
Governmental activities capital assets, net	<u>\$ 7,452,536</u>	<u>\$ (646,319)</u>	<u>\$ -</u>	<u>\$ 6,806,217</u>

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 125
Public safety	63,767
Public works	610,755
Public health	229
Culture and recreation	<u>6,055</u>
Total depreciation-governmental activities	<u>\$ 680,931</u>

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 74,945	\$ -	\$ -	\$ 74,945
Total capital assets, not being depreciated	<u>74,945</u>	<u>-</u>	<u>-</u>	<u>74,945</u>
Capital assets, being depreciated				
Buildings, systems and improvements	16,297,863	47,008	-	16,344,871
Machinery and equipment	1,786,948	26,501	-	1,813,449
Total capital assets, being depreciated	<u>18,084,811</u>	<u>73,509</u>	<u>-</u>	<u>18,158,320</u>
Less accumulated depreciation for:				
Buildings, systems and improvements	(7,271,203)	(299,013)	-	(7,570,216)
Machinery and equipment	(811,873)	(91,545)	-	(903,418)
Total accumulated depreciation	<u>(8,083,076)</u>	<u>(390,558)</u>	<u>-</u>	<u>(8,473,634)</u>
Total capital assets, being depreciated, net	<u>10,001,735</u>	<u>(317,049)</u>	<u>-</u>	<u>9,684,686</u>
Business-type activities capital assets, net	<u>\$ 10,076,680</u>	<u>\$ (317,049)</u>	<u>\$ -</u>	<u>\$ 9,759,631</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 160,174
Sewer	141,732
Solid Waste	<u>88,652</u>
Total depreciation-business-type activities	<u>\$ 390,558</u>

Interfund Receivables, Payables and Transfers

As of June 30, 2014, the CTEP Gazebo (\$8,354) and Airport CIP (\$7,999) funds owe the Oil Severance fund. The balances are expected to be repaid in the following fiscal year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 36,402	\$ (7,810)
Nonmajor governmental funds	<u>101,090</u>	<u>(129,682)</u>
Total governmental activities	<u>\$ 137,492</u>	<u>\$ (137,492)</u>

Transfers use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Additionally, health insurance, retirement, and liability insurance transfers were made to the

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

general fund.

Long-Term Debt

The government issued bonds through Rural Development, an agency of the U.S. Department of Agriculture, where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2014
2007 USDA Water Revenue bond No. 7	\$ 406,000	30 yr	4.125%	\$ 336,044
2007 USDA Water Revenue bond No. 9	600,000	18 yr	4.125%	409,860
2003 USDA Sewer Revenue bond No. 4	241,000	11 yr	4.250%	1,227
2003 USDA Sewer Revenue bond No. 5	1,209,000	40 yr	4.250%	1,047,569
				<u>\$ 1,794,700</u>

Each bond has a reserve requirement that is equal to the annual payment. The reserves are established through monthly transfers.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 61,988	\$ 74,179	\$ 136,167
2016	53,143	81,785	134,928
2017	66,022	68,906	134,928
2018	68,824	66,104	134,928
2019	71,746	63,182	134,928
2020-2024	406,766	267,874	674,640
2025-2029	281,328	191,512	472,840
2030-2034	304,429	133,691	438,120
2035-2039	266,656	71,112	337,768
2040-2043	213,798	6,080	219,878
	<u>\$ 1,794,700</u>	<u>\$ 1,024,425</u>	<u>\$ 2,819,125</u>

The government issued 2005 general obligation bonds (\$342,000) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds were issued for 20 years, with an interest rate of 4.75 percent. General obligation bonds outstanding as of June 30, 2014 were \$225,470 with equal amounts of principal and interest maturing each year.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 16,052	\$ 10,533	\$ 26,585
2016	16,797	9,788	26,585
2017	17,631	8,954	26,585
2018	18,478	8,107	26,585
2019	19,366	7,219	26,585
2020-2024	111,696	21,229	132,925
2025	25,450	918	26,368
	<u>\$ 225,470</u>	<u>\$ 66,748</u>	<u>\$ 292,218</u>

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Notes payable are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2014
2007 Airport	\$ 5,000	10 yr	2.50%	\$ 1,000
2008 Airport	33,623	10 yr	4.13%	10,089
2011 Airport	67,019	10 yr	1.63%	40,211
				<u>\$ 51,300</u>

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 10,564	\$ 1,094	\$ 11,658
2016	10,564	835	11,399
2017	10,067	572	10,639
2018	6,702	327	7,029
2019	6,702	218	6,920
2020	6,701	110	6,811
	<u>\$ 51,300</u>	<u>\$ 3,156</u>	<u>\$ 54,456</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 240,971	-	(15,501)	\$ 225,470	\$ 16,052
Notes payable	61,864	-	(10,564)	51,300	10,564
Compensated absences	84,571	-	(2,984)	81,587	8,159
Governmental activity long-term liabilities	<u>\$ 387,406</u>	<u>\$ -</u>	<u>\$ (29,049)</u>	<u>\$ 358,357</u>	<u>\$ 34,775</u>
Business-type activities:					
Revenue bonds	\$ 1,879,814	-	(85,114)	\$ 1,794,700	\$ 61,988
Compensated absences	58,039	7,249	-	65,288	19,646
Business-type activity long-term liabilities	<u>\$ 1,937,853</u>	<u>\$ 7,249</u>	<u>\$ (85,114)</u>	<u>\$ 1,859,988</u>	<u>\$ 81,634</u>

For the governmental activities, general obligations bonds are liquidated in the debt service fund. Notes payable are paid from the general fund and compensated absences are paid from the fund where the employees' wage is charged.

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the sites stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$558,125 reported as a landfill closure and postclosure care liability as of the year ended June 30, 2014, represents the cumulative amount reported to date based on the use of 20% of the landfill of the estimated capacity of the site. The government will recognize the remaining estimated cost of closure and postclosure care of \$959,260 as the remaining estimated capacity of the new site is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2014. The government expects to close the site in the year 2103. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The government is in compliance with the requirements, and, as of June 30, 2014, \$640,025 had been set aside for this purpose. The \$640,025, including interest earnings, is restricted and reported in the financial statements as "restricted assets."

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations); these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Closure/postclosure care liability	\$ 541,601	\$ 16,524	\$ -	\$ 558,125

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Special Item

During the fiscal year, the government received \$110,000 for contract nonperformance related to a sewer project that was not fully completed by a construction contractor.

Interlocal Agreements

The City-County Airport is owned and operated jointly by the City of Wolf Point and Roosevelt County. The operation of the airport is accounted for by the City. Capital assets are recorded within the City's accounting records. The airport is administered by a member board from the City and County. The budget is approved by the controlling members. The Airport Board exercises control over the airports normal operations. Normal incurred operating expenses are shared equally by the City and County.

The offices of the Justice of the Peace (Roosevelt County) and City Judge are held by the same person. Roosevelt County provides clerical support services to the City for the operation of the city court.

Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

Retirement Plans

The government participates in three statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees. The Municipal Police Officers' Retirement System (MPORS) covers city police officers. The Public Employee Retirement System (PERS) covers all other city employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

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

	Employer	Employee	Total
MPORS	14.410%	9.000%	23.410%
PERS	8.070%	7.900%	15.970%

PERS:

On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% per year to the PERS plan (\$668) and 29.37% to the MPORS plan (\$88,445) on behalf of the employer. The on-behalf contributions have been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2014, 2013 and, 2012, were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2014	2013	2012
MPORS	\$ 70,497	\$ 63,788	\$ 60,407
PERS	106,693	94,085	94,134
	\$ 177,190	\$ 157,873	\$ 154,541

City volunteer fire fighters 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 is accounted for as an agency fund of the City. A member of the volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. 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 Board of Trustees, but may not exceed \$225 per month.

Whenever the pension trust fund contains an amount that is less than .21% of the total assessed value of taxable property, the City is required to levy an annual tax. The City levied \$19,850 for the year ended June 30, 2014. As of June 30, 2014, the net position of the Fund was more than the required amount. The State of Montana (State) contributes, out of moneys received from insurance premium taxes, an amount equal to one and one-half mills times the total taxable value of the City, but not less than \$100. The State's contribution to the plan for 2014 was approximately \$1,884.

Postemployment Benefits Other Than Pensions

Plan Description. The government provides postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation to the plan:

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Annual required contribution	\$ 23,007
Interest on net OPEB obligation	2,545
Adjustment to annual required contribution	<u>(2,530)</u>
Annual OPEB cost (expense)	23,022
Change in assumptions	(18,824)
Contributions made	<u>(10,224)</u>
Decrease in net OPEB obligation	(6,026)
Net OPEB obligation - beginning of year	<u>63,622</u>
Net OPEB obligation - end of year	<u>\$ 57,596</u>

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2012	\$ 26,731	0%	\$ 47,100
2013	29,053	0%	63,622
2014	23,022	0%	57,596

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was \$139,995, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$139,995.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, which is required to be presented as supplementary information following the notes to the financial statements, will be included in future financial statements when multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on the RP2000 Healthy Combined Generational Table. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 10 percent, with reduction to the ultimate rate of 5 percent.

Other Assumptions and Methods: The inflation rate was assumed to be 4.25 percent. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.25%. Estimated participation is based on the assumption that 45 percent of future retirees will elect medical coverage. The UAAL is amortized over a thirty-year period using a 4.25 interest rate and a 2.5 percent payroll growth rate.

CITY OF WOLF POINT
NOTES TO BASIC FINANCIAL STATEMENTS

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOLF POINT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property taxes/assessments	\$ 342,818	\$ 342,818	\$ 345,029
Fees and fines	8,600	8,600	10,953
Licenses and permits	20,500	20,500	25,477
Intergovernmental	467,941	467,941	645,366
Charges for services	423,700	423,700	371,248
Investment earnings	8,000	8,000	8,399
Miscellaneous	2,100	2,100	4,065
Total revenues	<u>1,273,659</u>	<u>1,273,659</u>	<u>1,410,537</u>
EXPENDITURES			
Current:			
General government	83,571	83,571	68,277
Public safety	618,023	628,578	609,863
Public works	507,946	497,391	391,060
Public health	60,186	60,186	56,563
Culture and recreation	139,259	139,259	82,810
Debt service:			
Principal	10,564	10,564	10,564
Interest and other charges	1,216	1,216	1,355
Capital outlay	21,030	21,030	-
Total expenditures	<u>1,441,795</u>	<u>1,441,795</u>	<u>1,220,492</u>
Excess (deficiency) of revenues over expenditures	<u>(168,136)</u>	<u>(168,136)</u>	<u>190,045</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	27,309	27,309	36,402
Transfers out	(10,810)	(10,810)	(7,810)
Total other financing sources (uses)	<u>16,499</u>	<u>16,499</u>	<u>28,592</u>
Net change in fund balance	<u>\$ (151,637)</u>	<u>\$ (151,637)</u>	218,637
Fund balance - beginning			<u>646,472</u>
Fund balance - ending			<u>\$ 865,109</u>

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

CITY OF WOLF POINT
 SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	\$ -	\$ 139,995	\$ 139,995	-	\$ 1,053,254	0.132916656
6/30/2013	-	149,924	143,812	-	1,019,972	0.140996027
6/30/2012	-	143,812	143,812	-	1,047,605	0.137276932

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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 Honorable Mayor and City Council
City of Wolf Point
Wolf Point, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wolf Point, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated May 11, 2015.

Internal Control over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. (Finding 2014-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government'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*.

The Government's Response to Findings

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

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 (CONTINUED)

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.

O'Hess & Associates, PC

Billings, Montana
May 11, 2015

CITY OF WOLF POINT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

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

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

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

Client Response: The City of Wolf Point recognizes that their staff does not have the skills and knowledge to apply generally accepted accounting principles in relation to the preparation of the financial statements, but an accounting degree or possessing a CPA license is not required for the Clerk/Treasurer's position or specified in the job description. While it may be common within some governmental entities to rely on the audit firm to prepare the financial statements, the City of Wolf Point does attempt to prepare the annual financial report but, engages the services of a CPA to review the report and the MD & A for compliance with generally accepted accounting principles prior to submission to the State of Montana. Improvements in this area can be accomplished with experience and on-going training. This review, while somewhat limited in nature, was the city's best attempt to improve the accuracy in the reporting of the city's financial statements.

2014-002. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Client Response: Additional steps have been implemented to provide effective review of control documents and reports. Payroll reports are submitted to the Mayor on a monthly basis for his signature, utility billing adjustment reports are reviewed by an administrative supervisor, and claims and checks are checked against the invoices on a monthly basis.

2014-003 EXPENDITURE ALLOCATION

Criteria: Costs incurred or purchases made by the city should be charged to the funds that benefit from the purchases and should be based on documentation that supports the charges.

Condition: During our audit, we noted the city purchased a compressor that is used in a variety of public works and public utility functions. This purchase was charged entirely to the enterprise funds (public utility functions). Additionally, the city purchased windows for City hall and charged seventy-five percent to the enterprise funds.

Cause: Unknown

Effect: Enterprise funds are absorbing a disproportionate share of costs.

Recommendation: We recommend the city develop a method to reasonably distribute shared costs between the general fund and enterprise funds.

Client Response: Several efforts have been made to equitably distribute expenses (i.e. payroll, utility costs and fuel) but it

CITY OF WOLF POINT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

appears additional scrutiny is needed in other areas as well. A method to reasonably distribute shared costs between funds will be developed and implemented as soon as possible. Documentation will be provided to support the method of distribution.

CITY OF WOLF POINT
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-3. EXPENDITURE ALLOCATION	PARTIALLY IMPLEMENTED
2013-4. COMPETITIVE BIDDING	IMPLEMENTED