

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Legal Entity Number 0006**

**Financial Statements**  
**Using the GASB 34 Model**

**For the Year Ended June 30, 2014**

**BEAVERHEAD COUNTY HIGH SCHOOL**  
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**For the Year Ended June 30, 2014**

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# **BEAVERHEAD COUNTY HIGH SCHOOL**

## **List of Principal Officials**

### **Board of Trustees**

Gary Love	Chairman
LaVerne Jackson	Vice-Chairman
Pierce Rouse	Trustee
Jon Konen	Trustee
Patti Jo Staudenmeyer	Trustee
Koy Holland	Trustee
Cory Lamey	Trustee

### **Administrative Staff**

Fred Chouinard	District Superintendent/Principal
Gary Haverfield	Vice-Principal/AD
Evelyn Mull	District Clerk



America Counts on CPAs<sup>SM</sup>

312 South Pacific St.  
PO Box 1046  
Dillon, Montana 59725

Telephone: (406)683-4254  
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Beaverhead County High School  
Dillon, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaverhead County High School, Dillon, Montana (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion, and analysis, budgetary comparison information and schedule of funding progress for the Retiree Health Plan, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the State of Montana mandated schedule of changes in fiduciary net assets (extracurricular), and enrollment schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The State of Montana mandated schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the State of Montana mandated schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of the District'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 District's internal control over financial reporting and compliance.

PECK & PECK, CPAs PC  
*Peck & Peck, CPAs PC*  
Dillon, Montana  
January 29, 2015

**BEAVERHEAD COUNTY HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014**

The Superintendent and Business Manager/Clerk of Beaverhead County High School (the District) have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

**FINANCIAL HIGHLIGHTS**

- General revenues accounted for \$ 4.2 million in revenue, or 87 percent of all fiscal year 2014 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$.7 million in revenues or 13 percent of total fiscal year 2014 revenues.
- The District had approximately \$4.8 million in expenses related to governmental activities: of which \$.7 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$4.2 million were adequate to provide the remaining costs of these programs.
- Among major funds, the General Fund had \$3.0 million in fiscal year 2014 revenues, which primarily consisted of state aid and property taxes, and \$3.0 million in expenditures. The General Fund's fund balance excess of expenditures over revenues was \$44,762.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such

**BEAVERHEAD COUNTY HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014**

information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are on pages 12 and 14, respectively.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

The basic fiduciary fund financial statements can be found on page 15 and 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 17-28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for certain governmental funds as required by State law. A budgetary comparison statement has been provided for the General Fund and other major funds as required supplementary information. The District also presents the Schedule of Funding Progress for the Retiree Health Plan. The required supplementary information can be found on page 29-33 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,003,210 as of June 30, 2014.

By far the largest portion of the District's net position (45.6 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**BEAVERHEAD COUNTY HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014**

Changes in the District's net position (in thousands of dollars) were as follows:

	<u>2013</u>	<u>2014</u>	<u>Change</u>
Current assets	\$ 3,224.2	\$ 3,218.1	-0.2%
Capital assets, net	<u>2,188.0</u>	<u>2,279.7</u>	4.2%
<b>Total assets</b>	<b><u>5,412.2</u></b>	<b><u>5,497.8</u></b>	<b>1.6%</b>
Current liabilities	99.4	106.0	6.6%
Long-term debt outstanding	<u>330.1</u>	<u>388.6</u>	17.7%
<b>Total liabilities</b>	<b>429.5</b>	<b>494.6</b>	<b>15.2%</b>
Net position consist of:			
Investment in capital assets, net of related debt	2,188.0	2,279.7	4.2%
Restricted	2,542.5	2,597.0	2.1%
Unrestricted	<u>252.2</u>	<u>126.5</u>	-49.8%
<b>Total net position</b>	<b><u>\$ 4,982.7</u></b>	<b><u>\$ 5,003.2</u></b>	<b>0.4%</b>

The following is a significant current year transactions that has had an impact of the Statement of Net Position.

- Capital assets increased by \$91,783 from additions to capital assets of \$408,549 and additions to accumulated depreciation for current year depreciation of \$316,766 (page 24).

**Changes in net position.** The District's total revenues for the fiscal year ended June 30, 2014, were \$4.9 million. The total cost of all programs and services was \$4.8 million. The following table presents a summary of the changes in net position (in thousands of dollars).

	<u>2013</u>	<u>2014</u>	<u>Percent Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 93.6	\$ 82.2	-12.2%
Operating grants and contributions	563.5	574.0	1.9%
General revenues:			
Property taxes	1,711.3	1,699.0	-0.7%
Federal and state aid	1,984.4	2,060.2	3.8%
County sources	346.8	380.0	9.6%
Investment income	10.7	8.6	-19.6%
Miscellaneous	<u>40.0</u>	<u>58.7</u>	46.8%
<b>Total revenues</b>	<b><u>4,750.3</u></b>	<b><u>4,862.7</u></b>	<b>2.4%</b>
<b>Expenses:</b>			
Instruction	2,402.3	2,563.5	6.7%
Support services - students and staff	92.8	96.0	3.4%
Support services - administration	457.4	496.8	8.6%
Operation and maintenance of plant services	463.7	547.1	18.0%
Student transportation services	698.4	794.3	13.7%
Operation of non-instructional services	<u>358.3</u>	<u>344.5</u>	-3.9%
<b>Total expenses</b>	<b><u>4,472.9</u></b>	<b><u>4,842.2</u></b>	<b>8.3%</b>
<b>Increase (decrease) in net position</b>	<b><u>\$ 277.4</u></b>	<b><u>\$ 20.5</u></b>	<b>-5.9%</b>

Expenditures increased by \$369,302 primarily from salaries and supplies.

**BEAVERHEAD COUNTY HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014**

**Government activities.** The following table presents the cost of the six major District functional activities: instruction, support services - students and staff, support services - administration, operation and maintenance of plant services, student transportation services, and operation of non-instructional services. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions (in thousands of dollars).

	Total Cost of Services			Percent Change	Net Cost of Services			Percent Change
	2013	2014			2013	2014		
Instruction	\$ 2,402.3	\$ 2,563.5	6.7%	\$ 2,099.3	\$ 2,237.9	6.6%		
Support services - students and staff	92.8	96.0	3.4%	92.8	96.0	3.4%		
Support services - administration	457.4	496.8	8.6%	457.4	496.8	8.6%		
Operation and maintenance of plant services	463.7	547.1	18.0%	463.7	547.1	18.0%		
Student transportation services	698.4	794.3	13.7%	344.3	463.6	34.7%		
Operation of non-instructional services	<u>358.3</u>	<u>344.5</u>	-3.9%	<u>358.3</u>	<u>344.5</u>	-3.9%		
<b>Total expenses</b>	<b>\$ 4,472.9</b>	<b>\$ 4,842.2</b>	<b>8.3%</b>	<b>\$ 3,815.8</b>	<b>\$ 4,185.9</b>	<b>9.7%</b>		

- The cost of all governmental activities this year was \$4.8 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$ .7 million.
- Net cost of governmental activities (\$3.8 million), was financed by general revenues, which are made up of primarily property taxes (\$1.7 million) and federal and state aide (\$2.0 million).

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,218,096. Approximately \$2,535,847 of the fund balance is Restricted, while \$179,440 is Assigned. The remaining fund balance of \$332,148 is Unassigned.

**BEAVERHEAD COUNTY HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District had invested \$6,121,884 in capital assets, including school building, athletic facilities, vehicles, furniture, and other equipment. Total depreciation expense for the year was \$316,766.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014.

	<u>Amount</u>
Land and improvements	\$ 326,285
Buildings and improvements	988,668
Vehicles, furniture and equipment	<u>964,804</u>
<b>Total</b>	<b><u>\$ 2,279,757</u></b>

Additional information on the District's capital assets can be found in on page 24 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The main focus in developing the budget for 2014-2015 was the declining student enrollment, employee salaries, and keeping the same programs at their current levels with no additional budget authority.

Budgeted expenditures were kept relatively the same except for minor changes in salaries, benefits and increased utility costs. The State had changed the funding components for Quality Educator, At-Risk Students, Indian Ed for All, American Achievement Gap and Special Ed funding so in order to keep the same budget authority as the previous year, the Board of Trustees voted to not run a mill levy due to an increase in State funding for our budget and an election was not required.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Administration at Beaverhead County High School, 104 North Pacific, Dillon, MT 59725.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Statement of Net Position**  
**As of June 30, 2014**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 942,488
Investments	2,102,125
Receivables:	
Taxes	170,661
Due from other governments	2,822
<b>Total current assets</b>	<b>3,218,096</b>
 <b>Non-current assets:</b>	
Capital assets	6,121,884
Less: Accumulated depreciation	(3,842,127)
<b>Total non-current assets</b>	<b>2,279,757</b>
<b>Total assets</b>	<b>5,497,853</b>
 <b>Liabilities</b>	
<b>Current liabilities:</b>	
Current portion of long-term obligations	106,002
<b>Total current liabilities</b>	<b>106,002</b>
 <b>Non-current liabilities:</b>	
Non-current portion of long-term obligations	388,641
<b>Total non-current liabilities</b>	<b>388,641</b>
<b>Total liabilities</b>	<b>494,643</b>
 <b>Net Position</b>	
Net investment in capital assets	2,279,757
Restricted for:	
Transportation	124,226
Bus depreciation	966,115
Technology	392,975
Flexibility	340,976
Building reserve	519,240
Other activities	253,449
Unrestricted	126,472
<b>Total net position</b>	<b>\$ 5,003,210</b>

The notes to the financial statements are an integral part of this statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 1,841,841	\$ -	\$ -	\$ (1,841,841)
Special education instruction	167,552	-	-	(167,552)
Other instruction	554,034	10,135	315,338	(228,561)
Support services:				
Instructional staff services	96,037	-	-	(96,037)
General administration services	187,753	-	-	(187,753)
School administration services	211,878	-	-	(211,878)
Business services	97,181	-	-	(97,181)
Operation & maintenance of plant services	547,067	-	-	(547,067)
Student transportation services	794,324	72,052	258,700	(463,572)
Non-educational services:				
Extracurricular activities	99,965	-	-	(99,965)
Extracurricular athletics	244,541	-	-	(244,541)
<b>Total school district</b>	<u><b>\$ 4,842,173</b></u>	<u><b>\$ 82,187</b></u>	<u><b>\$ 574,038</b></u>	<u><b>(4,185,948)</b></u>
 <b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				1,698,947
Federal and State aid not restricted to specific purpose				
General				2,060,239
County sources				380,001
Interest and investment earnings				8,656
Miscellaneous				58,678
<b>Subtotal, general revenues</b>				<u><b>4,206,521</b></u>
 <b>Changes in net position</b>				<b>20,573</b>
Net position - beginning				4,982,637
Net position - ending				<u><b>\$ 5,003,210</b></u>

The notes to the financial statements are an integral part of this statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2014**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Bus Depr Reserve Fund</u>	<u>Technology Fund</u>	<u>Flexibility Fund</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 279,809	\$ 90,312	\$ 272,984	\$ -	\$ 120,170	\$ 24	\$ 179,189	\$ 942,488
Investments	231,779	-	676,797	387,671	220,806	516,278	68,794	2,102,125
Receivables:								
Taxes	109,529	33,912	16,334	5,304	-	2,938	2,644	170,661
Due from other governments	-	-	-	-	-	-	2,822	2,822
<b>Total assets</b>	<b>\$ 621,117</b>	<b>\$ 124,224</b>	<b>\$ 966,115</b>	<b>\$ 392,975</b>	<b>\$ 340,976</b>	<b>\$ 519,240</b>	<b>\$ 253,449</b>	<b>\$ 3,218,096</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue-property taxes	\$ 109,529	\$ 33,912	\$ 16,334	\$ 5,304	\$ -	\$ 2,938	\$ 2,644	\$ 170,661
<b>Total deferred inflows of resources</b>	<b>109,529</b>	<b>33,912</b>	<b>16,334</b>	<b>5,304</b>	<b>-</b>	<b>2,938</b>	<b>2,644</b>	<b>170,661</b>
<b>FUND BALANCES:</b>								
Restricted	-	90,312	949,781	387,671	340,976	516,302	250,805	2,535,847
Assigned	179,440	-	-	-	-	-	-	179,440
Unassigned	332,148	-	-	-	-	-	-	332,148
<b>Total fund balances</b>	<b>511,588</b>	<b>90,312</b>	<b>949,781</b>	<b>387,671</b>	<b>340,976</b>	<b>516,302</b>	<b>250,805</b>	<b>3,047,435</b>
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 621,117</b>	<b>\$ 124,224</b>	<b>\$ 966,115</b>	<b>\$ 392,975</b>	<b>\$ 340,976</b>	<b>\$ 519,240</b>	<b>\$ 253,449</b>	<b>\$ 3,218,096</b>

The notes to the financial statements are an integral part of this statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**with the Statement of Net Position**  
**June 30, 2014**

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

<b>Total fund balance-governmental funds</b>		<b>\$ 3,047,435</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets is	6,121,884	
Accumulated depreciation is	<u>(3,842,127)</u>	
		2,279,757
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds.		
		170,661
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences payable	(151,431)	
Net OPEB obligation	<u>(343,212)</u>	<u>(494,643)</u>
<b>Total net postion-governmental activities</b>		<b><u>\$ 5,003,210</u></b>

The notes to the financial statements are an integral part of this financial statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Bus Depr Reserve Fund</u>	<u>Technology Fund</u>	<u>Flexibility Fund</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>								
Property taxes	\$ 983,627	\$ 338,705	\$ 325,321	\$ 49,744	\$ -	\$ 3,118	\$ 21,490	\$ 1,722,005
Other local sources	769	-	1,584	7,895	26,865	1,583	15,355	54,051
County sources	-	129,350	-	-	127,330	-	380,001	636,681
State sources	2,007,929	144,048	-	5,580	-	-	146,413	2,303,970
Federal sources	-	-	-	-	-	-	169,095	169,095
<b>TOTAL REVENUES</b>	<b><u>2,992,325</u></b>	<b><u>612,103</u></b>	<b><u>326,905</u></b>	<b><u>63,219</u></b>	<b><u>154,195</u></b>	<b><u>4,701</u></b>	<b><u>732,354</u></b>	<b><u>4,885,802</u></b>
<b>Expenditures:</b>								
Current:								
Instruction services:								
Regular instruction	1,410,743	-	-	14,769	22,613	-	286,287	1,734,412
Special instruction	148,397	-	-	-	-	-	16,701	165,098
Other instruction	233,162	-	-	-	-	-	315,497	548,659
Support services:								
Instructional staff services	84,034	-	-	-	-	-	10,541	94,575
General administration services	108,243	59,392	-	-	-	-	18,709	186,344
School administration services	165,742	20,537	-	-	-	-	21,499	207,778
Business services	47,875	38,141	-	-	-	-	11,165	97,181
Operation & maintenance of plant services	464,441	-	-	5,058	-	4,998	25,942	500,439
Student transportation services	-	518,526	34,639	-	-	-	33,797	586,962
Non-educational services:								
Extracurricular activities	89,043	-	-	-	-	-	8,749	97,792
Extracurricular athletics	225,024	-	-	-	-	-	16,024	241,048
Capital outlay	60,383	36,200	234,110	49,408	28,448	-	-	408,549
<b>TOTAL EXPENDITURES</b>	<b><u>3,037,087</u></b>	<b><u>672,796</u></b>	<b><u>268,749</u></b>	<b><u>69,235</u></b>	<b><u>51,061</u></b>	<b><u>4,998</u></b>	<b><u>764,911</u></b>	<b><u>4,868,837</u></b>
Excess (deficiency) of revenues over expenditures	(44,762)	(60,693)	58,156	(6,016)	103,134	(297)	(32,557)	16,965
Fund balances - beginning	556,350	151,005	891,625	393,687	237,842	516,599	283,362	3,030,470
Fund balances - ending	<u>\$ 511,588</u>	<u>\$ 90,312</u>	<u>\$ 949,781</u>	<u>\$ 387,671</u>	<u>\$ 340,976</u>	<u>\$ 516,302</u>	<u>\$ 250,805</u>	<u>\$ 3,047,435</u>

The notes to the financial statements are an integral part of this statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances with the District-wide Statement of Net Activities**  
**For the Year Ended June 30, 2014**

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**Total net change in fund balances-governmental funds** **\$ 16,965**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets, with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This amount by which capital outlays exceeds depreciation in the current period.

Capital outlays	408,549	
Depreciation expense	<u>(316,766)</u>	91,783

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(23,056)
---	--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(9,442)	
Net OPEB cost	<u>(55,677)</u>	<u>(65,119)</u>

**Change in net position of governmental activities** **\$ 20,573**

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Statement of Fiduciary Net Position**  
**As of June 30, 2014**

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	<b>Private-Purpose Trust Funds</b>		
	<b>Interlocal Agreement Fund</b>	<b>Endowment Trust</b>	<b>Student Activities Fund</b>
<b>Assets:</b>			
Cash and investments	\$ 887	\$ 63,145	\$ 246,906
<b>Net Position:</b>			
Restricted	\$ 887	\$ 63,145	\$ 246,906

The notes to the financial statements are an integral part of this statement.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2014**

	<b>Private-Purpose Trust Funds</b>		
	<b>Interlocal Agreement Fund</b>	<b>Endowment Trust</b>	<b>Student Activities Fund</b>
<b>Additions</b>			
Interest	\$ -	\$ 136	\$ -
Receipts	7,480	25,500	402,533
<b>Total additions</b>	<b>7,480</b>	<b>25,636</b>	<b>402,533</b>
<b>Deductions</b>			
Scholarships awarded	-	(3,511)	-
Disbursements	(7,092)	-	(377,564)
<b>Total deductions</b>	<b>(7,092)</b>	<b>(3,511)</b>	<b>(377,564)</b>
<b>Changes in net position</b>	<b>388</b>	<b>22,125</b>	<b>24,969</b>
Net position--beginning	499	41,020	221,937
Net position--ending	<u>\$ 887</u>	<u>\$ 63,145</u>	<u>\$ 246,906</u>

The notes to the financial statements are an integral part of this statement.

# BEAVERHEAD COUNTY HIGH SCHOOL

Dillon, Montana

Notes to the Financial Statements

June 30, 2014

## I. Summary of significant accounting policies

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local government 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 adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Statement resulted in presentation changes in government-wide financial statement and fiduciary fund financial statements.

The government adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement resulted in presentation changes due to expansion of transactions that result in deferred inflows/outflows; identification of new inflows/outflows, and related changes in major funds determination.

The more significant of the District's accounting policies are described below.

### A. Reporting entity

The District was established under Montana law to provide educational services below the college and university level to residents of the District. The District consists of ninth through twelfth grade, which is managed by a central Board of Trustees, elected in a district wide election and by a central administration appointed by and responsible to the Board.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The County provides substantial services to the District; tax billing, cash collections, debt payments and warrant redemption. The County also maintains the government's cash and invests available funds at the direction of the District. The County Commissioners have a legal obligation to set levy amounts and to approve the budget adopted by the District. However, despite the degree of services provided, the District does not qualify as a component unit of the County.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other government reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation, and construction and maintenance of District's facilities.

### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Government activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

# BEAVERHEAD COUNTY HIGH SCHOOL

Dillon, Montana

Notes to the Financial Statements-Continued

June 30, 2014

## I. Summary of significant accounting policies - continued

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 segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State and County aid, and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

## C. 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 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 grantor or 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 District 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.

Property taxes, State and County aid and investment income 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. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the chief operating fund of the District. It is used to account for all financial resources of the District except for those required to be accounted for in another fund.

The *transportation fund* is used to account for the student busing program.

The *bus depreciation reserve fund* is used for the purpose of financing the replacement of buses and two-way radio equipment owned by the District. The fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes.

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Dillon, Montana**

Notes to the Financial Statements-Continued

June 30, 2014

**I. Summary of significant accounting policies - continued**

The *technology fund* is used to purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel.

The *flexibility fund* is authorized by Section 20-9-533, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. Funded by a state grant and voted levy.

The *building reserve fund* is authorized by Section 20-9-502, MAC, for the purpose of financing voter approved building or construction projects funded with district mill levies.

Additionally, the District reports the following fund types:

The Private-Purpose Trust Funds account for resources that are not used to support the District's operations.

The District accounts for an Endowment Trust used for scholarships, the Student Extracurricular Fund which raises funds to finance student clubs and organizations, and for the Interlocal Agreement Fund used for Montana Digital Academy.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**D. Assets, liabilities, and net position or equity**

*1. Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District has no formal investment policy, but follows State law.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and the State Treasurer's Investment Pool.

Cash and investments, except amounts in the extracurricular fund, are held by the County Treasurer. The County Treasurer invests the District's cash at the direction of the District as required by 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 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 for the District 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.

*2. Receivables*

The County levies and collects taxes for the District. 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.

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Dillon, Montana**

Notes to the Financial Statements-Continued

June 30, 2014

**I. Summary of significant accounting policies - continued**

3. *Inventories*

The District accounts for inventories utilizing the purchase method whereby expenditures are recorded when purchased rather than consumed. Inventories of materials and supplies on hand are not maintained, which is not in accordance with generally accepted accounting principles. The amounts on hand are not material to the purpose financial statements taken as a whole.

4. *Prepaid expenses*

The District accounts for prepaids utilizing the purchase method whereby expenditures are recorded when purchased rather than when used. Fund balances are reserved for prepaids where appropriate directing that portion of fund balance is not available for appropriation or expenditure at the balance sheet date.

5. *Capital assets*

Capital assets, which include land, buildings and improvements, vehicles, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Vehicles, furniture and equipment	5-15 years

6. *Compensated absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 25% of sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as result of employee resignations and retirements. The general, transportation, and miscellaneous programs funds typically have been used to liquidate compensated absences in prior years.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualifies for reporting in this category.

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 resource (revenue) until that time. The District 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 in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
Notes to the Financial Statements-Continued  
June 30, 2014

**I. Summary of significant accounting policies - continued**

8. *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”.

9. *Fund Balance*

The District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. The standard changed fund balance classifications within the fund level statements.

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

*Nonspendable* – consist of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

*Restricted* – consist of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consist of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – consist of amounts intended to be used by the District for purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the District Superintendent and District Business Manager are authorized to establish assignments of fund balance.

*Unassigned* – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
Notes to the Financial Statements-Continued  
June 30, 2014

**I. Summary of significant accounting policies - continued**

If resources from more than one fund classification could be spent, the school district will strive to spend resources from fund balance classifications that follow order (first to last); restricted, committed, assigned, and unassigned. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraints so adopted by the Board. The School Board by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Board also delegates the power to assign fund balances to the following: District Superintendent and Business Manager. Changes in assignments, so made, shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

10. *Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

11. *Commitments*

At year-end the District had commitments outstanding, in the form of purchase orders, primarily for equipment and supplies. The following schedule displays general fund encumbrances.

	General Fund
Assigned:	
Instruction	\$ 107,026
Support services	
Educational services	6,047
General administration	16,304
School administration	4,143
Operations and maintenance	26,366
Extracurricular	19,554
Current year encumbrances	179,440
Prior year encumbrances	220,264
Budget to GAAP Differences	\$ 40,824

**II. Stewardship, compliance and accountability**

**A. Budgetary information**

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the Montana Office of Public Instruction. The financial reports reflect the following budgetary standards. For the fiscal year beginning July 1, a proposed expenditure budget is presented for consideration by the trustees on or before August 15.

The proposed expenditure budget is advertised in the local newspaper between July 1 and August 4, together with a notice of a public hearing.

The final budget for the District must be approved by the trustees, and the amounts to be raised by tax levies established, by the fourth Monday in August.

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Dillon, Montana**

Notes to the Financial Statements-Continued

June 30, 2014

**II. Stewardship, compliance and accountability - continued**

State law requires that the government adopt budgets for certain funds, generally those supported by property taxes. All budgets are adopted on a basis consistent with the modified accrual basis of accounting except that obligations are treated as budgetary expenditure in the year of incurrence of the commitment to purchase and encumbrances outstanding at June 30, are added to expenditures to arrive at the budgetary basis, in accordance with Montana law. Budgetary comparisons presented in this report are on this budgetary basis. State law requires formal budgets for the General Fund, Transportation Fund, Bus Depreciation Reserve Fund, Tuition Fund, Retirement Fund, Adult Education Fund, Technology Fund, Flexibility Fund and Building Reserve Fund

All appropriations, including encumbered appropriations, lapse at year-end.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level for all funds. Budgets can only be increased for emergencies as defined by State law.

**III. Detailed notes in all funds**

**A. Deposits and investments**

As discussed in I above, the District has no formal investment policy but follows State law for deposits and investments, except amounts in the extracurricular fund, are held by the County Treasurer. The District directs the investment of money pursuant to the provisions of state statutes. Monies with the County Treasurer are invested in the Montana State Short Term Investment Pool.

The extracurricular fund was insured by the FDIC.

Montana law allows the local governing a body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. The County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all investments that are not fully covered by Federal Deposit Insurance. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less then 6%. Risk in the event of loss is unclear in State law, but may be the liability of the County government. Risk classification of the District's deposits and pooled investment can be obtained from the Beaverhead County Treasurer.

At year-end, the District's investment balances were as follows:

	Carrying Amount	Fair Value
County Treasurer:		
Demand Accounts	\$ 942,488	\$ 942,488
Montana State STIP & Money Market Accounts	2,102,125	2,102,125
Total cash and investments government funds	3,044,613	3,044,613
Interlocal Agreement Fund	887	887
Endowment Fund - Investments	63,145	63,145
Student Activites Fund-Demand Deposits	246,906	246,906
Total cash and investments reporting entity	<u>\$ 3,355,551</u>	<u>\$ 3,355,551</u>

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
Notes to the Financial Statements-Continued  
June 30, 2014

**III. Detailed notes in all funds - continued**

**B. Receivables**

Receivables, as of year-end, for the District's individual major funds and nonmajor funds in the aggregate are as follows:

General	\$ 109,529
Transportation	33,912
Bus Depreciation Reserve	16,334
Technology	5,304
Building Reserve	2,938
Non-major Governmental	<u>2,644</u>
Total receivables	<u>\$ 170,661</u>

**C. Capital assets**

A summary of capital asset activity for the year ended June 30, 2014, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 153,821	\$ -	\$ -	\$ 153,821
Total capital assets, not being depreciated	<u>153,821</u>	<u>-</u>	<u>-</u>	<u>153,821</u>
Capital assets, being depreciated:				
Land improvements	541,064	-	-	541,064
Buildings and improvements	2,708,948	13,252	-	2,722,200
Vehicles, furniture and equipment	<u>2,422,079</u>	<u>395,297</u>	<u>(112,577)</u>	<u>2,704,799</u>
Total capital assets, being depreciated	<u>5,672,091</u>	<u>408,549</u>	<u>(112,577)</u>	<u>5,968,063</u>
Accumulated depreciation for:				
Land improvements	(343,488)	(25,112)	-	(368,600)
Buildings and improvements	(1,656,850)	(76,682)	-	(1,733,532)
Vehicles, furniture and equipment	<u>(1,637,600)</u>	<u>(214,972)</u>	<u>112,577</u>	<u>(1,739,995)</u>
Total accumulated depreciation	<u>(3,637,938)</u>	<u>(316,766)</u>	<u>112,577</u>	<u>(3,842,127)</u>
Total capital assets, being depreciated, net	<u>2,034,153</u>	<u>91,783</u>	<u>-</u>	<u>2,125,936</u>
Governmental activities capital assets, net	<u>\$ 2,187,974</u>	<u>\$ 91,783</u>	<u>\$ -</u>	<u>\$ 2,279,757</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 72,737
Supporting services:	
School administration service	598
Operation and maintenance of plant services	43,097
Student transportation services	199,668
Extracurricular	<u>666</u>
Total depreciation expense - governmental activities	<u>\$ 316,766</u>

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
Notes to the Financial Statements-Continued  
June 30, 2014

**III. Detailed notes in all funds - continued**

**D. Long-term debt**

Changes in long-term liabilities

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 141,989	\$ 84,755	\$ (75,313)	\$ 151,431	\$ 106,022
Net OPEB Obligation	<u>287,535</u>	<u>55,679</u>	<u>-</u>	<u>343,214</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 429,524</u>	<u>\$ 140,434</u>	<u>\$ (75,313)</u>	<u>\$ 494,645</u>	<u>\$ 106,022</u>

**IV. Other information**

**A. Risk management**

The District 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. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchases for theft, damage or destruction of assets, professional liabilities and employee medical costs. The District participates in the Montana Schools Group's Workers' Compensation Risk Retention Program, a state-wide public risk pool currently operating as a common risk management and insurance program for the member school districts. The government pays quarterly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have remained relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Contingent liabilities**

Amount received or receivable from grantor agencies are subject to audit and adjustments 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 District expects such amounts, if any, to be immaterial.

**C. Interlocal cooperative**

The District participates with other school districts located in a six region area in the Great Divide Education Service Cooperative. The Cooperative provides special education services to its member schools.

**D. Retirement plans**

The District participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover certain employees, except substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Dillon, Montana**

Notes to the Financial Statements-Continued

June 30, 2014

**IV. Other information - continued**

Public Employees' Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires will have a 12-month window during which they may chose to remain in the current PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable.

The plans issue a publicly available financial report that includes 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, (406) 444-3154.

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

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	8.47%	8.15%	16.62%
PERS	7.80%	7.90%	15.70%

The State of Montana contributes 0.37% and 2.49% per year to the TRS and PERS plan, respectively, on behalf of the employer. The State of Montana contributions have not been recorded in the financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
TRS	\$ 301,909	\$ 265,336	\$ 275,412
PERS	<u>69,643</u>	<u>56,948</u>	<u>63,459</u>
	<u>\$ 371,552</u>	<u>\$ 322,284</u>	<u>\$ 338,871</u>

**E. Post retirement health plan**

*Plan Description.* The District's Employee Group Benefit Plan is a single-employer defined benefit healthcare plan administered by Allegiance Health and Life Insurance Company. Allegiance provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the District's health insurance as a retiree until they cancel their plan. The retiree is on the same medical plan as the District's active employees until they reach Medicare age and then they move to the supplemental Medicare plans.

*Funding Policy.* The contribution required of plan members is established by the District's insurance committee in conjunction with the insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the District's contributed approximately \$375,270 to the plan for current premiums or approximately 85% of total premiums, members receiving benefits contributed approximately \$63,869 or approximately 15% .

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Dillon, Montana**

Notes to the Financial Statements-Continued

June 30, 2014

**IV. Other information - continued**

*Annual OPEB and Net OPEB Obligations.* The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's Post Retirement Healthcare Plan:

Annual required contribution	\$ 55,679
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	<u>55,679</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	55,679
Net OPEB obligation - beginning of year	<u>287,535</u>
Net OPEB obligation - end of year	<u><u>\$ 343,214</u></u>

The District'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 fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 77,286	0.0%	\$ 231,858
2013	\$ 55,677	0.0%	\$ 287,535
2014	\$ 55,679	0.0%	\$ 343,214

*Funding Status and Funding Progress.* As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$558,327 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,033,564, and the ratio of unfunded actuarial accrued liability to the covered payroll was 27.5 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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.

*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 cost between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
Notes to the Financial Statements-Continued  
June 30, 2014

**IV. Other information - continued**

effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions include a 4.25% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 45% of future retirees will elect medical coverage. The annual healthcare cost trend rate of 10.0% for medical, decreasing approximately .5% per year until reaching an ultimate rate of 5.0%. It is assumed salary increases will be 2.5% per annum. The Unfunded Actuarial Accrued Liability is being amortized as a level percentage of projected payrolls over a thirty year time period.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Budget to	Actual	Variances with
	Original	Final	GAAP	GAAP	Budgetary	Final Budget -
			Basis	Differences	Basis	Positive (Negative)
<b>Revenues:</b>						
Property taxes	\$ 987,413	\$ 987,413	\$ 983,627	\$ -	\$ 983,627	\$ (3,786)
Other local sources	1,293	1,293	769	-	769	(524)
State sources	2,004,269	2,004,269	2,007,929	-	2,007,929	3,660
Federal sources	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,992,975</b>	<b>2,992,975</b>	<b>2,992,325</b>	<b>-</b>	<b>2,992,325</b>	<b>(650)</b>
<b>Expenditures:</b>						
Current:						
Instruction services:						
Regular instruction	1,641,687	1,641,687	1,410,743	24,718	1,435,461	206,226
Special instruction	206,330	206,330	148,397	-	148,397	57,933
Other instruction	-	-	233,162	-	233,162	(233,162)
Support services:						
Instructional staff services	86,989	86,989	84,034	(1,419)	82,615	4,374
General administration services	110,244	110,244	108,243	(2,466)	105,777	4,467
School administration services	48,344	48,344	165,742	2,932	168,674	(120,330)
Business services	169,013	169,013	47,875	-	47,875	121,138
Operation & maintenance of plant services	408,671	408,671	464,441	(26,372)	438,069	(29,398)
Non-educational services:						
Extracurricular activities	100,995	100,995	89,043	-	89,043	11,952
Extracurricular athletics	215,338	215,338	225,024	9,146	234,170	(18,832)
Capital outlay	9,026	9,026	60,383	(47,363)	13,020	(3,994)
<b>TOTAL EXPENDITURES</b>	<b>2,996,637</b>	<b>2,996,637</b>	<b>3,037,087</b>	<b>(40,824)</b>	<b>2,996,263</b>	<b>374</b>
Excess (deficiency) of revenues over expenditures	(3,662)	(3,662)	(44,762)	40,824	(3,938)	(276)

NOTES TO THE BUDGET AND ACTUAL SCHEDULES

State law requires budgets be prepared for certain funds - generally those supported by property tax revenues. Budgets are prepared on the modified accrual basis. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law. There were no budget amendments.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board of Trustees approves the original budget by the second Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction and the purchase of personal property as expenditures for budget purposes. The budget to GAAP differences consist of encumbrances for the current year.

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Transportation Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Budget to	Actual	Variances with
	Original	Final	GAAP	GAAP	Budgetary	Final Budget -
			Basis	Differences	Basis	Positive (Negative)
<b>Revenues:</b>						
Property taxes	\$ 344,784	\$ 344,784	\$ 338,705	\$ -	\$ 338,705	\$ (6,079)
Other local sources	-	-	-	-	-	-
County sources	152,759	152,759	129,350	-	129,350	(23,409)
State sources	167,457	167,457	144,048	-	144,048	(23,409)
<b>TOTAL REVENUES</b>	<b>665,000</b>	<b>665,000</b>	<b>612,103</b>	<b>-</b>	<b>612,103</b>	<b>(52,897)</b>
<b>Expenditures:</b>						
Current:						
Support services:						
General administration services	59,400	59,400	59,392	-	59,392	8
School administration services	20,770	20,770	20,537	-	20,537	233
Business services	38,557	38,557	38,141	-	38,141	416
Operation & maintenance of plant services	-	-	-	-	-	-
Student transportation services	546,273	546,273	518,526	(8,869)	509,657	36,616
Capital Outlay	-	-	36,200	-	36,200	(36,200)
<b>TOTAL EXPENDITURES</b>	<b>665,000</b>	<b>665,000</b>	<b>672,796</b>	<b>(8,869)</b>	<b>663,927</b>	<b>1,073</b>
Excess (deficiency) of revenues over expenditures	-	-	(60,693)	8,869	(51,824)	(51,824)

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Bus Depreciation Reserve Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Budget to	Actual	Variances with
	Original	Final	GAAP Basis	GAAP Differences	Budgetary Basis	Final Budget - Positive (Negative)
<b>Revenues:</b>						
Property taxes	\$ 329,791	\$ 329,791	\$ 325,321	\$ -	\$ 325,321	\$ (4,470)
Other local sources	-	-	1,584	-	1,584	1,584
<b>TOTAL REVENUES</b>	<b>329,791</b>	<b>329,791</b>	<b>326,905</b>	<b>-</b>	<b>326,905</b>	<b>(2,886)</b>
<b>Expenditures:</b>						
Property and equipment acquisition	1,221,416	1,221,416	268,749	190,873	459,622	761,794
<b>TOTAL EXPENDITURES</b>	<b>1,221,416</b>	<b>1,221,416</b>	<b>268,749</b>	<b>190,873</b>	<b>459,622</b>	<b>761,794</b>
Excess (deficiency) of revenues over expenditures	\$ (891,625)	\$ (891,625)	\$ 58,156	\$ (190,873)	\$ (132,717)	\$ 758,908

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Technology Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Budget to	Actual	Variances with
	Original	Final	GAAP Basis	GAAP Differences	Budgetary Basis	Final Budget - Positive (Negative)
<b>Revenues:</b>						
Property taxes	\$ 50,000	\$ 50,000	\$ 49,744	\$ -	\$ 49,744	\$ (256)
Other local sources	5,580	5,580	7,895	-	7,895	2,315
State sources	-	-	5,580	-	5,580	5,580
<b>TOTAL REVENUES</b>	<b>55,580</b>	<b>55,580</b>	<b>63,219</b>	<b>-</b>	<b>63,219</b>	<b>7,639</b>
<b>Expenditures:</b>						
Regular instruction	442,661	442,661	14,769	(3,606)	11,163	431,498
Operation & maintenance of plant services			5,058	26,000	31,058	(31,058)
Capital outlay	-	-	49,408	-	49,408	(49,408)
<b>TOTAL EXPENDITURES</b>	<b>442,661</b>	<b>442,661</b>	<b>69,235</b>	<b>22,394</b>	<b>91,629</b>	<b>351,032</b>
Excess (deficiency) of revenues over expenditures	\$ (387,081)	\$ (387,081)	\$ (6,016)	\$ (22,394)	\$ (28,410)	\$ 358,671

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**For the Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	N/A	\$ 815,830	\$ 815,830	0.0%	\$ 2,047,711	39.8%
6/30/2013	N/A	\$ 558,327	\$ 558,327	0.0%	\$ 2,033,564	27.5%
6/30/2014	N/A	\$ 622,507	\$ 622,507	0.0%	\$ 2,029,279	30.7%

**BEAVERHEAD COUNTY HIGH SCHOOL**

**Statement of Changes in Net Position**

**Student Activities Fund**

**For the Year Ended June 30, 2014**

	<u>Net Position at July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Net Position at June 30, 2014</u>
<b>Assets:</b>					
<b>Cash and investments</b>	<b>\$ 221,937</b>	<b>\$ 402,533</b>	<b>\$ 377,564</b>	<b>\$ -</b>	<b>\$ 246,906</b>
<b>Net Position:</b>					
Academic Olympics	-	65	260	195	-
Adventure Club	216	-	-	-	216
Ag Reasle Account	-	1,040	72	-	968
All Northwest Band Fundraising	2,363	-	926	-	1,437
American Politics Group	367	-	-	-	367
Art Club	1,105	1,493	1,628	-	970
B Club	2,424	4,045	3,968	(23)	2,478
Boys Basketball	10,058	23,013	22,592	3,000	13,479
Boys Tennis	12,675	7,336	4,549	(1,743)	13,719
Cheerleaders	1,749	3,578	3,283	-	2,044
Christmas Decorations Account	86	-	-	-	86
Class of 14	1,816	56	1,772	-	100
Class of 15	441	4,735	3,770	-	1,406
Class of 16	47	2	100	51	-
Class of 17	956	16	100	-	872
Concessions	17,921	37,842	32,479	(6,356)	16,928
Counselor Fund	2,093	-	-	-	2,093
Cross Country	1,742	1,093	3,582	747	-
District Music Festival	-	9,490	8,892	788	1,386
District Student Council	33	-	-	-	33
Drama Club	29	400	-	-	429
FCCLA (FHA)	3,917	6,990	5,592	-	5,315
FFA	1,640	24,539	17,574	257	8,862
FFA Administration	-	3,335	1,816	(193)	1,326
Football	31,731	25,036	25,615	555	31,707
Football Final Playoff Account	260	-	-	(260)	-
Football Semi Playoff Game	260	5,901	5,901	(260)	-
Football Quarter Final Playoff	-	5,197	5,162	(35)	-
General Fund	5,976	40,539	40,263	(160)	6,092
Girls Basketball	10,278	10,471	10,769	-	9,980
Golf	9,453	2,200	2,698	-	8,955
Honor Society	877	962	841	23	1,021
HOSA	228	2,611	2,511	-	328
Industrial Arts	1,109	648	-	-	1,757
Key Club	1,317	9,016	9,340	-	993
Library Fund	962	451	140	-	1,273
MBI	2,775	70	140	-	2,705
Music Fund	374	10,194	8,202	(788)	1,578
Parking Fines Account	480	10	-	(151)	339
Peer Mediation Group	920	-	-	-	920
Pep Band	-	-	1,993	1,993	-
Pep Club	118	-	-	-	118
Renaissance Program	1,179	1,000	1,039	-	1,140
SADD	52	-	-	-	52
Science Fair Account	768	-	-	-	768
Softball Account	10,491	21,574	17,409	-	14,656
Special Olympics	315	-	-	-	315
Speech & Drama Divisionals	725	-	-	(725)	-
Speech & Drama	11,947	3,415	4,585	725	11,502
Student Council	2,913	-	456	(250)	2,207
Student Council Cancer Fund	-	51,561	51,932	867	496
Tennis	7,085	4,252	4,146	1,743	8,934
Tobacco Education Fund	467	-	-	-	467
Track	-	10,783	10,708	2,169	2,244
Track Divisional Fund	-	3,210	1,041	(2,169)	-
Training Fund	-	1,881	1,785	-	96
Vending Account	7,520	6,750	324	-	13,946
Volleyball	16,889	17,257	18,090	-	16,056
Wrestling	7,410	16,438	12,027	208	12,029
Wrestling Divisional Account	198	-	-	(198)	-
Wrestling Mat Fund	6,000	4,650	10,640	(10)	-
X-C Ski Club	54	-	-	-	54
Yearbook	19,128	11,328	14,328	-	16,128
Youth Legislature	-	6,060	2,524	-	3,536
<b>Net position</b>	<b>\$ 221,937</b>	<b>\$ 402,533</b>	<b>\$ 377,564</b>	<b>\$ -</b>	<b>\$ 246,906</b>

**BEAVERHEAD COUNTY HIGH SCHOOL**  
**Dillon, Montana**  
**Schedule of School District Enrollment**  
**For the Year Ended June 30, 2014**

	<u>Per Enrollment Reports</u>	<u>Audit District Records</u>	<u>Difference</u>
<b>Fall enrollment - October, 2013</b>			
Grades 9 - 12	349	349	-
19-year olds included	3	3	-
Youth Challenge	1	1	-
<b>Winter enrollment - December, 2013</b>			
Grades 9 - 12	350	350	-
19-year olds included	3	3	-
<b>Spring enrollment - February, 2014</b>			
Grades 9 - 12	346	346	-
19-year olds included	3	3	-



America Counts on CPAs<sup>SM</sup>

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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*

Board of Trustees  
Beaverhead County High School  
Dillon, 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, each major fund, and the aggregate remaining fund information of Beaverhead County High School, Dillon, Montana (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 recommendations to be material weaknesses. [Item 2014-1].

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District'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.

**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.

PECK & PECK, CPAs PC

*Peck & Peck, CPAs PC*

Dillon, Montana

January 29, 2015

**BEAVERHEAD COUNTY HIGH SCHOOL  
Dillon, Montana  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2014**

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

Financial Statements

1. Type of auditor’s report issued:	Unmodified Opinion
2. Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> yes <u>    </u> no
Control deficiency(s) identified not considered to be material weaknesses?	<u> X </u> yes <u>    </u> no
3. Noncompliance material to financial statements noted?	<u>    </u> yes <u> X </u> no

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

**Material Weakness:**

**2014-1 Preparation of draft financial statements and related footnotes was performed by Auditor**

**Criteria:**

Generally accepted auditing standards require that financial statements to be a product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements that are in accordance with generally accepted accounting principles.

**Condition:**

While the auditor maintained independence under the AICPA Ethics Interpretation of 101-3, Performance of Non-Attest Services, the auditor assisted in the preparation of draft financial statements, notes and supplementary schedules.

**Effect:**

A significant internal control deficiency exists that results in a more than remote likelihood that a material misstatement of the financial statements will not be detected or prevented by the District’s internal control.

**Cause:**

Auditor assistance in the preparation of financial statements, notes and supplementary schedules is a matter of necessity rather than of convenience.

**Recommendation:**

We recommend that the District correct the material weakness in the internal control system over financial reporting by hiring a qualified consultant to evaluate the presentation in accordance with GAAP for financial statements, notes and supplementary schedules.

**Response:**

We take your recommendation under advisement but the District does not have the in house expertise or the financial resources available to hire a consultant for the preparation of draft financial statements, notes and supplementary schedules at this time.

**BEAVERHEAD COUNTY HIGH SCHOOL  
Dillon, Montana  
Schedule of Prior Report Recommendations  
For the Year Ended June 30, 2014**

**2013-1 Preparation of draft financial statements and related footnotes by Auditor**

Not implemented.