

**BROADUS SCHOOL DISTRICT NO. 79J**

**POWDER RIVER COUNTY  
BROADUS, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**

Broadus School District No. 79J  
Powder River County  
Broadus, Montana 59317

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Broadus School District No. 79J  
Powder River County  
Broadus, Montana 59317

ORGANIZATION

BOARD OF TRUSTEES

|               |            |
|---------------|------------|
| Craig Randall | Chair      |
| Cole Smith    | Vice Chair |
| Roger Gaskill | Trustee    |
| Danny Johnson | Trustee    |
| Lori Fortner  | Trustee    |
| Rod Schaffer  | Trustee    |
| Amanda Zimmer | Trustee    |

OFFICIALS

|                  |                       |
|------------------|-----------------------|
| Jim Hansen       | Superintendent        |
| Dixie L Mitchell | District Clerk        |
| Charlotte Miller | County Superintendent |
| Jeffrey Noble    | County Attorney       |

**BROADUS PUBLIC SCHOOLS  
SCHOOL DISTRICT 79J, POWDER RIVER COUNTY  
PO BOX 500  
500 N. TRAUTMAN  
BROADUS, MT 59317**

**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
June 30, 2014**

The Superintendent and Business Manager of Broadus Public Schools – School District 79J, Powder River County, Montana have provided this management discussion and analysis 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**

The District's financial position was stable in 2014. The District passed a technology levy in the elementary district to help fund the ever changing technology.

**USING THIS FINANCIAL REPORT**

Statement No. 34 of the Governmental Accounting Standards Board (GASB) requires the general format of this report. Components and purposes of the report are explained below.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The report includes two district-wide statements that focus on the operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The **Statement of Net Position** on page 8 shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some of the assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The **Statement of Activities**, on page 9 shows the amounts of program-specific and general school district revenues used to support the school district's various functions.
- C. **Governmental Activities**, the school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of the school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food services, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements for governmental funds use the modified accrual basis. In addition, general capital assets and governmental funds use the modified accrual basis. In addition, general capital assets and long-term debt are reported in the district-wide statements but not the fund statements.

## REPORTING THE DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITIES

The district is the trustee, or fiduciary, for the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on page 13 because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

### BUDGET-TO-ACTUAL COMPARISONS

The budgetary comparison schedules on pages 26-28 show how actual expenditures compared to the original and final budgeted expenditures for the general fund. The district did not experience any significant variances between the original and final expenditure budget and final budget and actual expenditures.

### THE DISTRICT AS A WHOLE

#### 1. Net Position – Governmental Activities

|                                  | <u>2014</u>    | <u>2013</u>    | <u>CHANGE</u>   | <u>% CHANGE</u> |
|----------------------------------|----------------|----------------|-----------------|-----------------|
| Current Assets                   | \$ 1,643,213   | \$ 2,073,699   | \$ (430,486)    | -20.76%         |
| Capital Assets, net              | <u>737,829</u> | <u>542,916</u> | <u>194,913</u>  | <u>35.90%</u>   |
| Total Assets                     | 2,381,042      | 2,616,615      | (235,573)       | -9.00%          |
| Current Liabilities              | 9,572          | 61,388         | (51,816)        | -84.41%         |
| Long Term Liabilities            | <u>125,331</u> | <u>165,727</u> | <u>(40,396)</u> | <u>-24.38%</u>  |
| Total Liabilities                | 134,903        | 227,115        | (92,212)        | -40.60%         |
| Net Position:                    |                |                |                 |                 |
| Net Investment in Capital Assets | 737,829        | 542,916        | 194,913         | 35.90%          |
| Restricted                       | 1,142,272      | 1,617,320      | (475,048)       | -29.37%         |
| Unrestricted                     | <u>366,038</u> | <u>290,653</u> | <u>75,385</u>   | <u>25.94%</u>   |
| Total Net Position               | 2,246,139      | 2,450,889      | (204,750)       | -8.35%          |

#### 2. Changes in Net Position – Governmental Activities

|                                    | <u>2014</u>   | <u>2013</u>   | <u>CHANGE</u>  | <u>% CHANGE</u> |
|------------------------------------|---------------|---------------|----------------|-----------------|
| Revenues                           |               |               |                |                 |
| Program Revenues:                  |               |               |                |                 |
| Charges for Services               | \$ 68,197     | \$ 68,151     | \$ 46          | 0.07%           |
| Operating Grants                   | 523,439       | 429,679       | 93,760         | 21.82%          |
| General Revenues:                  |               |               |                |                 |
| District Levies                    | 1,170,380     | 1,053,318     | 117,062        | 11.11%          |
| State Equalization                 | 931,008       | 942,131       | (11,123)       | -1.18%          |
| Other State Revenues               | 867,528       | 978,798       | (111,270)      | -11.37%         |
| County                             | 324,880       | 314,918       | 9,962          | 3.16%           |
| Interest                           | 5,188         | 2,450         | 2,738          | 111.76%         |
| Other                              | <u>31,807</u> | <u>39,106</u> | <u>(7,299)</u> | <u>-18.66%</u>  |
| Total Revenues                     | 3,922,427     | 3,828,551     | 93,876         | 2.45%           |
| Program Expenses                   |               |               |                |                 |
| Instructional Services             | 2,018,677     | 1,757,521     | 261,156        | 14.86%          |
| Support Services                   | 101,614       | 53,342        | 48,272         | 90.50%          |
| Educational Media Services         | 111,735       | 115,121       | (3,386)        | -2.94%          |
| General Administrative Services    | 437,757       | 394,408       | 43,349         | 10.99%          |
| Operation & Maintenance Services   | 650,161       | 630,705       | 19,456         | 3.08%           |
| Transportation Services            | 567,749       | 560,830       | 6,919          | 1.23%           |
| School Food Services               | 132,691       | 131,201       | 1,490          | 1.14%           |
| Extracurricular                    | 111,322       | 121,352       | (10,030)       | -8.27%          |
| Other Current Charges              | -             | 928           | (928)          | -100.00%        |
| OPEB                               | -             | 11,495        | (11,495)       | -100.00%        |
| Unallocated Depreciation Expense * | <u>41,994</u> | <u>47,589</u> | <u>(5,595)</u> | <u>-11.76%</u>  |
| Total Expenses                     | 4,173,700     | 3,824,492     | 349,208        | 9.13%           |
| Change in Net Position             | (251,273)     | 4,059         | (255,332)      |                 |

### **Changes Affecting Budgets**

The budgets are getting tighter and tighter due to increases in salaries and benefits. The district was also affected by the legislature reducing the amount that districts can have in their retirement funds.

#### **3. Identifying and Resolving Financial Difficulties**

The district did not have any budget problems, but had to clean up some accounting issues from prior years.

#### **4. Significant Events and Trends**

The biggest problem for the Broadus School District 79J is the declining enrollment. The district's enrollment has had some fluctuation due to the increased oil and gas industry activity. The schools funding is based on the enrollment, therefore the funds decrease as enrollment decreases.

The district is having difficulties recruiting teachers as our teaching staff retires. The district has put a duplex on school property, hoping that affordable housing for new staff will help with recruitment.

The district has not settled with the teachers' association, negotiations are on-going & teachers are working without contracts. The main issues are salary increases & health insurance premiums.

### **ANALYSIS OF FINANCIAL INFORMATION**

The following analysis is provide to help the reader understand the major operations of the school district, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the district's financial situation in the future. Historical information from one or more prior years is shown to illustrate trends, problems and achievement of the district's goals.

#### **1. What Does the School Do?**

Broadus Public Schools' main purpose is to educate the children; therefore their costs revolve around instruction and supporting the instruction of students, transporting children to and from school, providing lunches to these students and providing the opportunity for students to participate in extracurricular activities.

#### **2. Where Do the Resources Come From?**

The majority of Broadus Public Schools' revenues come from property taxes and state aid. Broadus Public Schools participate in federal programs including the Elementary & Secondary Education Act programs which are funded based upon free and reduced lunch applications. Broadus High School also receives funding through Carl Perkins and State Vocational Education Grants.

#### **3. What Does It Cost?**

**Broadus Public Schools spent \$4,173,700 to educate 248 students in 2014. Approximately 87% of the General Funds were used for salaries & benefits.**

#### **4. What are the Capital Assets and Debt of the District?**

The capital assets of Broadus Public Schools are valued at \$737,829. The district has no debt.

#### **5. Fund Deficits**

Broadus Public Schools has no fund deficits at year end.

#### **6. What Changes and Trends Affect the District's Future?**

The continuing decline in enrollment and increases in operating costs will be our main concerns for the future of the district. Staffing will be a concern as well, as current staff retires and we try to fill their positions with qualified individuals.

### **CONTACTS FOR FURTHER INFORMATION**

Jim Hansen, Superintendent ([jim@broadus.net](mailto:jim@broadus.net)) Dixie L. Mitchell, Business Manager/Clerk ([dixie@broadus.net](mailto:dixie@broadus.net))

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Broadus School District No. 79J  
Powder River County  
Broadus, Montana 59317

**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 Broadus School District No. 79J as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 Broadus School District No. 79J as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 30) 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 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 inquires 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 Broadus School District No. 79J's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 31) and schedule of reported enrollment (page 32) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment 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, except for the effect on the supplementary information of the schedule of revenues, expenses and balances student activity funds beginning balances, revenues and expenses not agreeing to the financial statements, the accompanying schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015 on our consideration of Broadus School District No. 79J 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 Broadus School District No. 79J internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
May 8, 2015

STATEMENT OF NET POSITION  
 as of June 30, 2014

|                                       | <u>Governmental</u><br><u>Activities</u> |
|---------------------------------------|--|
| ASSETS:                               |  |
| Current Assets:                       |  |
| Cash and Cash Equivalents             | \$ 1,520,870                             |
| Taxes Receivable                      | 68,652                                   |
| Due From Other Governments            | 52,128                                   |
| Other Current Assets                  | <u>1,563</u>                             |
| Total Current Assets                  | <u>1,643,213</u>                         |
| Noncurrent Assets:                    |  |
| Capital Assets:                       |  |
| Land                                  | 71,137                                   |
| Construction in Progress              | 201,726                                  |
| Net Depreciable Assets                | <u>464,966</u>                           |
| Total Noncurrent Assets               | <u>737,829</u>                           |
| Total Assets                          | <u>\$ 2,381,042</u>                      |
| LIABILITIES:                          |  |
| Current Liabilities                   |  |
| Current Portions Compensated Absences | <u>\$ 9,572</u>                          |
| Total Current Liabilities             | <u>9,572</u>                             |
| Noncurrent Liabilities:               |  |
| Long-Term Obligations                 | 71,725                                   |
| Compensated Absences                  | <u>53,606</u>                            |
| Total Noncurrent Liabilities          | <u>125,331</u>                           |
| Total Liabilities                     | <u>134,903</u>                           |
| NET POSITION:                         |  |
| Net investment in capital assets      | 737,829                                  |
| Restricted                            | 1,142,272                                |
| Unrestricted (Deficit)                | <u>366,038</u>                           |
| Total Net Position                    | <u>2,246,139</u>                         |
| Total Liabilities and Net Position    | <u>\$ 2,381,042</u>                      |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES  
 For the Year ending June 30, 2014

|                                      | Program Revenues |                        |  | Net (Expenses)<br>Revenues and<br>Changes in Net<br>Position |
|--------------------------------------|------------------|------------------------|--|--|
|                                      | Expenses         | Charge for<br>Services | Operating<br>Grants and<br>Contributions | Primary Governmental<br>Activities                           |
| <b>GOVERNMENT OPERATIONS</b>         |                  |                        |  |  |
| Instructional Services               | \$ 2,018,677     | \$ 3,141               | \$ 166,429                               | \$ (1,849,107)   |
| Support Services                     | 101,614          | -                      | 45,852                                   | (55,762)   |
| Educational Media Services           | 111,735          | -                      | -  | (111,735)  |
| General Administrative Services      | 437,757          | -                      | -  | (437,757)  |
| Operation & Maintenance Services     | 650,161          | 1,800                  | 35,362                                   | (612,999)  |
| Transportation Services              | 567,749          | -                      | 235,261                                  | (332,488)  |
| School Food Services                 | 132,691          | 63,256                 | 40,535                                   | (28,900)   |
| Extracurricular                      | 111,322          | -                      | -  | (111,322)  |
| Unallocated Depreciation Expense *   | 41,994           | -                      | -  | (41,994)   |
| <b>Total Governmental Activities</b> | <b>4,173,700</b> | <b>68,197</b>          | <b>523,439</b>                           | <b>(3,582,064)</b>   |
| <b>GENERAL REVENUES</b>              |                  |                        |  |  |
| District Levies                      |                  |                        |  | 1,170,380  |
| State Equalization                   |                  |                        |  | 931,008  |
| Other State Revenues                 |                  |                        |  | 867,528  |
| County                               |                  |                        |  | 324,880  |
| Interest                             |                  |                        |  | 5,188  |
| Other                                |                  |                        |  | 31,807   |
| <b>Total General Revenues</b>        |                  |                        |  | <b>3,330,791</b>   |
| <b>Change in Net Position</b>        |                  |                        |  | <b>(251,273)</b>   |
| <b>Net Position</b>                  |                  |                        |  |  |
| Beginning of the Year                |                  |                        |  | 2,450,888  |
| Prior Period Adjustments             |                  |                        |  | 46,524   |
| End of the Year                      |                  |                        |  | <b>\$ 2,246,139</b>  |

\* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

|  | MAJOR             |                        |                             |                                |                                |
|--|-------------------|------------------------|-----------------------------|--------------------------------|--------------------------------|
|  | General           | Transportation<br>(HS) | Bus<br>Depreciation<br>(HS) | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>ASSETS:</b>   |                   |                        |                             |                                |                                |
| Current Assets:  |                   |                        |                             |                                |                                |
| Cash and Cash Equivalents  | \$ 472,061        | \$ 93,567              | \$ 327,949                  | \$ 627,293                     | \$ 1,520,870                   |
| Taxes Receivable   | 49,279            | 11,134                 | 1,500                       | 6,739                          | 68,652                         |
| Due From Other Governments   | -                 | -                      | -                           | 52,128                         | 52,128                         |
| Other Current Assets   | 1,563             | -                      | -                           | -                              | 1,563                          |
| Total Assets   | <u>\$ 522,903</u> | <u>\$ 104,701</u>      | <u>\$ 329,448</u>           | <u>\$ 686,160</u>              | <u>\$ 1,643,213</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                   |                        |                             |                                |                                |
| Unavailable Property Taxes Receivable                              | 49,279            | 11,134                 | 1,500                       | 6,739                          | 68,652                         |
| Total Deferred Inflows of resources                                | <u>49,279</u>     | <u>11,134</u>          | <u>1,500</u>                | <u>6,739</u>                   | <u>68,652</u>                  |
| <b>FUND BALANCE:</b>   |                   |                        |                             |                                |                                |
| Fund Balances:   |                   |                        |                             |                                |                                |
| Restricted   | -                 | 93,567                 | 327,949                     | 679,421                        | 1,100,937                      |
| Unassigned:  | 473,624           | -                      | -                           | -                              | 473,624                        |
| Total Fund Balance   | <u>473,624</u>    | <u>93,567</u>          | <u>327,949</u>              | <u>679,421</u>                 | <u>1,574,561</u>               |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 522,903</u> | <u>\$ 104,701</u>      | <u>\$ 329,448</u>           | <u>\$ 686,160</u>              | <u>\$ 1,643,213</u>            |

RECONCILIATION TO THE STATEMENT OF NET POSITION

|   |                     |
|---|---------------------|
| Total fund balance reported above       | \$ 1,574,561        |
| Governmental Capital Assets             | 737,829             |
| Long-term Liabilities                   |                     |
| Long-Term Obligations                   | (71,725)            |
| Compensated Absences                    | (63,178)            |
| Unavailable Property Taxes Receivable   | <u>68,652</u>       |
| Net Position of Governmental Activities | <u>\$ 2,246,139</u> |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year ending June 30, 2014

|  | MAJOR             |                        |                             |                                |                                |
|--|-------------------|------------------------|-----------------------------|--------------------------------|--------------------------------|
|  | General           | Transportation<br>(HS) | Bus<br>Depreciation<br>(HS) | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>REVENUES:</b>   |                   |                        |                             |                                |                                |
| District Levies  | \$ 820,689        | \$ 211,726             | \$ 27,210                   | \$ 89,277                      | \$ 1,148,902                   |
| Interest   | 1,911             | 165                    | 1,051                       | 2,061                          | 5,188                          |
| Charges for Services   | -                 | -                      | -                           | 68,197                         | 68,197                         |
| Other  | 3                 | 8,353                  | -                           | 22,433                         | 30,789                         |
| County   | -                 | 122,754                | -                           | 328,897                        | 451,651                        |
| State  | 1,620,217         | 113,868                | -                           | 318,206                        | 2,052,291                      |
| Federal  | -                 | -                      | -                           | 143,931                        | 143,931                        |
| <b>Total Revenues</b>  | <b>2,442,820</b>  | <b>456,866</b>         | <b>28,261</b>               | <b>973,002</b>                 | <b>3,900,949</b>               |
| <b>EXPENDITURES:</b>   |                   |                        |                             |                                |                                |
| <b>Current</b>   |                   |                        |                             |                                |                                |
| Instructional Services                                       | 1,531,601         | -                      | -                           | 468,116                        | 1,999,717                      |
| Support Services   | 48,442            | -                      | -                           | 53,172                         | 101,614                        |
| Educational Media Services                                   | 88,800            | -                      | -                           | 22,935                         | 111,735                        |
| General Administrative Services                              | 384,563           | 13,769                 | -                           | 49,811                         | 448,143                        |
| Operation & Maintenance Services                             | 438,382           | -                      | -                           | 198,843                        | 637,225                        |
| Transportation Services                                      | 51,109            | 389,865                | 64,685                      | 45,840                         | 551,499                        |
| School Food Services   | 23,036            | -                      | -                           | 107,705                        | 130,741                        |
| Extracurricular  | 98,598            | -                      | -                           | 12,209                         | 110,807                        |
| <b>Total Current Outlays</b>                                 | <b>2,664,531</b>  | <b>403,634</b>         | <b>64,685</b>               | <b>958,631</b>                 | <b>4,091,481</b>               |
| Capital Outlay   | -                 | -                      | -                           | 234,126                        | 234,126                        |
| <b>Total Expenditures</b>                                    | <b>2,664,531</b>  | <b>403,634</b>         | <b>64,685</b>               | <b>1,192,757</b>               | <b>4,325,607</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(221,711)</b>  | <b>53,232</b>          | <b>(36,424)</b>             | <b>(219,755)</b>               | <b>(424,658)</b>               |
| <b>OTHER FINANCING SOURCES/USES</b>                          |                   |                        |                             |                                |                                |
| Fund Transfers In  | -                 | -                      | -                           | 1,805                          | 1,805                          |
| Fund Transfers (Out)   | (1,805)           | -                      | -                           | -                              | (1,805)                        |
| <b>Total Other financial Sources/Uses</b>                    | <b>(1,805)</b>    | <b>-</b>               | <b>-</b>                    | <b>1,805</b>                   | <b>-</b>                       |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <b>(223,516)</b>  | <b>53,232</b>          | <b>(36,424)</b>             | <b>(217,950)</b>               | <b>(424,658)</b>               |
| <b>FUND BALANCE:</b>   |                   |                        |                             |                                |                                |
| Beginning of the Year  | 386,584           | 40,335                 | 364,373                     | 1,200,603                      | 1,991,895                      |
| Prior Period Adjustments                                     | 310,556           | \$ -                   | \$ -                        | (303,232)                      | 7,324                          |
| <b>End of the Year</b>                                       | <b>\$ 473,624</b> | <b>\$ 93,567</b>       | <b>\$ 327,949</b>           | <b>\$ 679,421</b>              | <b>\$ 1,574,561</b>            |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Broadus School District No. 79J  
Powder River County  
Broadus, Montana 59317

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

|   |              |    |                  |
|---|--------------|----|------------------|
| Net Changes in Fund Balance   |              | \$ | (424,658)        |
| Revenues on the Statement of Activity not included in governmental funds statement:                 |              |    |                  |
| Increase (decrease) in taxes receivable   |              |    | 21,478           |
| Expenses on the Statement of Activity not included in the governmental funds statement:             |              |    |                  |
| Depreciation Expense  | (78,413)     |    |                  |
| (Increase) decrease in Other Post Employment Benefits   | (11,495)     |    |                  |
| (Increase) decrease in compensated absence liability  | <u>7,689</u> |    | (82,219)         |
| Expenditures reported in the governmental funds statement not included in the Statement of Activity |              |    |                  |
| Capital outlays   |              |    | <u>234,126</u>   |
| Change in net position reported on the Statement of Activity  |              | \$ | <u>(251,273)</u> |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

|                                   | Private Purpose<br>Trust Funds      Agency Funds |            |
|-----------------------------------|--|------------|
| ASSETS:                           |  |            |
| Current Assets:                   |  |            |
| Cash and Cash Equivalents         | \$ 136,022                                       | \$ 190,681 |
| Total Assets                      | 136,022  | 190,681    |
| LIABILITIES:                      |  |            |
| Current Liabilities               |  |            |
| Warrants Payable                  | -  | 190,681    |
| Total Liabilities                 | -  | 190,681    |
| NET POSITION:                     |  |            |
| Restricted for Student Activities | 136,022  |            |
| Total Net Position                | \$ 136,022                                       |            |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

|                                  | Private Purpose<br>Trust Funds |
|----------------------------------|--------------------------------|
| ADDITIONS:                       |                                |
| Revenues from Student Activities | \$ 129,380                     |
| Total Additions                  | 129,380                        |
| DEDUCTIONS:                      |                                |
| Expenses of Student Activities   | 128,540                        |
| Total Deductions                 | 128,540                        |
| CHANGE IN NET POSITION           | 840                            |
| NET POSITION:                    |                                |
| Beginning of the Year            | 169,607                        |
| Prior Period Adjustments         | (34,425)                       |
| End of the Year                  | \$ 136,022                     |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Broadus School District No. 79J (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and driver education fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds and proceeds from long-term debt.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds).

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the elementary inter-local agreement fund and the elementary and high school flexibility funds since the restrictions on those funds are similar to the general fund.
- High School Transportation Fund – This fund is used to account for financing the maintenance and operation of School District owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.
- High School Bus Depreciation Fund – This fund is used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current busses and two-way radio equipment owned by the School District.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Powder River County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

1. c. 4 CAPITAL ASSETS

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

| <u>Capital Asset Classes</u>      | <u>Lives</u>  |
|-----------------------------------|---------------|
| Buildings                         | 20 – 50 years |
| Improvements other than buildings | 25 years      |
| Machinery and Equipment           | 5 – 20 years  |

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports 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, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Certified School District employees shall accrue 10 days of sick leave each year. Unused sick leave will be accruable up to 80 days. Up to 4 days personal leave with pay shall be granted each year. Upon termination, all payments are made at \$60 per day.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$9,572 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

| <u>Purpose</u>                   | <u>Restricted</u>   |
|----------------------------------|---------------------|
| Instructional - Regular          | \$ 44,329           |
| Operations and Maintenance       | 3,011               |
| Student Transportation           | 491,878             |
| School Food                      | 8,208               |
| Third Party Grantor Restrictions | 192,362             |
| Employer Retirement Benefits     | 112,741             |
| Future Technology                | 27,399              |
| Future Capital Costs             | 219,546             |
| Debt Service                     | 1,463               |
| Total                            | <u>\$ 1,100,937</u> |

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of 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 reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

| <u>Account Type</u>       | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>        |
|---------------------------|------------------------------------|----------------------------|---------------------|
| Cash and Cash Equivalents | \$ <u>1,520,870</u>                | \$ <u>326,703</u>          | \$ <u>1,847,573</u> |

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

|                        | <u>Amount</u>       |
|------------------------|---------------------|
| Demand Accounts        | \$ 136,022          |
| Unreconciled           | 3,553               |
| County Investment Pool | <u>1,707,998</u>    |
| Total                  | <u>\$ 1,847,573</u> |

Cash resources of the School District are held and managed by the Powder River County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Powder River County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreements and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Powder River County government. Because of the custodial involvement of the Powder River County government, and the commingling of cash in County deposits in the name of the Powder River County Treasurer, full risk classifications according to GASB 40 are available in the Powder River County's annual report. There is no known maturity and credit rating of the Powder River County Investment Pool.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The cash of the extracurricular funds is held separately by the School District, not at Powder River County. As of June 30, 2014, \$136,022 was exposed to custodial credit risk and was covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$6,694,771 for the Elementary School District and \$8,556,316 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

| <u>Elementary Fund</u>  | <u>Mill Levies</u> | <u>Taxes</u>      |               |
|-------------------------|--------------------|-------------------|---------------|
|                         |                    | <u>Receivable</u> |               |
| General*                | 66.28              | \$                | 27,317        |
| Transportation          | 12.72              |                   | 5,042         |
| Debt Service            | 0.00               |                   | 1,454         |
| <u>High School Fund</u> |                    |                   |               |
| General*                | 43.70              |                   | 21,962        |
| Transportation*         | 25.15              |                   | 11,134        |
| Bus Depreciation*       | 3.24               |                   | 1,500         |
| Adult Education         | 0.47               |                   | 213           |
| Debt Service            | 0.00               |                   | 30            |
| Total                   | <u>151.56</u>      | \$                | <u>68,652</u> |

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

| <u>Elementary Fund</u>  | <u>Amount</u>    | <u>Due From</u>    | <u>Reason</u>        |
|-------------------------|------------------|--------------------|----------------------|
| Miscellaneous           | \$ 41,444        | State of MT        | Title I Part A       |
| <u>High School Fund</u> |                  |                    |                      |
| Retirement              | 447              | An employee        | Payroll over payment |
| Miscellaneous           | 1,555            | State of MT        | Carl Perkins         |
| Miscellaneous           | 8,682            | Federal Government | Title VI - SRS       |
| Total                   | <u>\$ 52,128</u> |                    |                      |

\* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

| <u>Governmental Activities:</u>  | <u>Balance</u><br><u>July 1, 2013</u> | <u>Additions</u>   | <u>Deletions</u>   | <u>Adjustments/</u><br><u>Transfers</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|----------------------------------|---------------------------------------|--------------------|--------------------|---|--|
| <u>Non-depreciable:</u>          |                                       |                    |                    |   |  |
| Land                             | \$ 71,137                             | \$ 0               | \$ 0               | \$ 0                                    | \$ 71,137                              |
| Construction In Progress         | 0                                     | 201,726            | 0                  | 0                                       | 201,726                                |
| Total Non-depreciable            | <u>\$ 71,137</u>                      | <u>\$ 201,726</u>  | <u>\$ 0</u>        | <u>\$ 0</u>                             | <u>\$ 272,863</u>                      |
| <u>Depreciable:</u>              |                                       |                    |                    |   |  |
| Land Improvements                | \$ 115,592                            | \$ 0               | \$ 0               | \$ 0                                    | \$ 115,592                             |
| Buildings                        | 2,151,158                             | 32,400             | 0                  | 39,200                                  | 2,222,758                              |
| Major Equipment                  | 1,030,447                             | 0                  | (53,830)           | 0                                       | 976,617                                |
| Total Depreciable                | <u>\$ 3,297,197</u>                   | <u>\$ 32,400</u>   | <u>\$ (53,830)</u> | <u>\$ 39,200</u>                        | <u>\$ 3,314,967</u>                    |
| <u>Accumulated Depreciation:</u> |                                       |                    |                    |   |  |
| Land Improvements                | \$ (109,018)                          | \$ (1,263)         | \$ 0               | \$ 0                                    | \$ (110,281)                           |
| Buildings                        | (1,844,180)                           | (35,488)           | 0                  | 0                                       | (1,879,668)                            |
| Major Equipment                  | (872,220)                             | (41,662)           | 53,830             | 0                                       | (860,052)                              |
| Total Depreciation               | <u>\$ (2,825,418)</u>                 | <u>\$ (78,413)</u> | <u>\$ 53,830</u>   | <u>\$ 0</u>                             | <u>\$ (2,850,001)</u>                  |
| Net Depreciable Assets           | <u>471,779</u>                        | <u>(46,013)</u>    | <u>0</u>           | <u>39,200</u>                           | <u>464,966</u>                         |
| Net Governmental Capital Assets  | <u>\$ 542,916</u>                     | <u>\$ 155,713</u>  | <u>\$ 0</u>        | <u>\$ 39,200</u>                        | <u>\$ 737,829</u>                      |

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

| <u>Function</u>            | <u>Amount</u>    |
|----------------------------|------------------|
| Instructional              | \$ 5,465         |
| Operation & Maintenance    | 12,165           |
| Transportation             | 16,250           |
| School Food                | 2,024            |
| Extracurricular            | 515              |
| Unallocated                | 41,994           |
| Total Depreciation Expense | <u>\$ 78,413</u> |

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

| <u>Governmental Activities</u>           | <u>Balance</u><br><u>July 1, 2013</u> | <u>New Debt</u><br><u>and Other</u><br><u>Additions</u> | <u>Principal</u><br><u>Payments</u><br><u>and Other</u><br><u>Reductions</u> | <u>Balance</u><br><u>June 30, 2014</u> | <u>Due within</u><br><u>One Year</u> |
|--|---------------------------------------|---|--|--|--------------------------------------|
| Compensated Absences                     | \$ 70,867                             | \$ 0  | \$ (7,689)   | \$ 63,178                              | \$ 9,572                             |
| Other Post-Employment<br>Benefits (OPEB) | 60,230                                | 11,495  | 0  | 71,725                                 | 0                                    |
| Total Governmental Activities            |                                       |   |  |  |                                      |
| - Long-Term Debt:                        | <u>\$ 131,097</u>                     | <u>\$ 11,495</u>  | <u>\$ (7,689)</u>  | <u>\$ 134,903</u>                      | <u>\$ 9,572</u>                      |

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

| <u>Elementary Fund</u>  | <u>Amount</u>    | <u>Reason</u>    |
|-------------------------|------------------|------------------|
| General*                | \$ 27,317        | Taxes Receivable |
| Transportation          | 5,042            | Taxes Receivable |
| Debt Service            | 1,454            | Taxes Receivable |
| <u>High School Fund</u> |                  |                  |
| General*                | 21,962           | Taxes Receivable |
| Transportation          | 11,134           | Taxes Receivable |
| Bus Depreciation        | 1,500            | Taxes Receivable |
| Adult Education         | 213              | Taxes Receivable |
| Debt Service            | 30               | Taxes Receivable |
| Total                   | <u>\$ 68,652</u> |                  |

\* Denotes Major Funds

NOTE 8. TRANSFERS

| <u>Elementary Fund - From</u> | <u>Amount</u> | <u>Elementary Fund - To</u>                  |
|-------------------------------|---------------|--|
| Inter-local Agreement*        | \$ 1,805      | Debt Service - to cover deficit fund balance |

\* Denotes Major Funds

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$12,040 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of July 1, 2012 was as follows:

|   |               |
|---|---------------|
| Actuarial Accrued Liability (AAL)                 | \$ 89,727     |
| Actuarial value of plan assets                    | <u>0</u>      |
| Unfunded Actuarial Accrued Liability (UAAL)       | <u>89,727</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%            |
| Covered payroll (active plan members)             | \$ 1,858,291  |
| UAAL as a percentage of covered payroll           | 5%            |

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and 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 the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

|   |                  |
|---|------------------|
| Annual Required Contribution (ARC)      | \$ 11,495        |
| Interest on net OPEB obligation         | 0                |
| Adjustment to ARC                       | <u>0</u>         |
| Annual OPEB cost (expense)              | 11,495           |
| Contribution made                       | <u>0</u>         |
| Increase in net OPEB obligation         | 11,495           |
| Net OPEB obligation - beginning of year | <u>60,230</u>    |
| Net OPEB obligation - end of year       | <u>\$ 71,725</u> |

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

| Actuarial Cost Method                                |                        | Unit Credit Cost Method |
|--|------------------------|-------------------------|
| Average age of retirement (based on historical data) |                        | 65                      |
| Discount rate (average anticipated rate)             |                        | 5.0%                    |
| Average Salary Increase                              |                        | 1.5%                    |
| Health care cost rate trend                          | Year<br>2015 and after | % Increase<br>6.60%     |

NOTE 10. PRIOR PERIOD ADJUSTMENTS

| <u>Elementary Fund</u>       | <u>Amount</u>    | <u>REASON</u>   |
|------------------------------|------------------|---|
| General*                     | \$ (12,159)      | TRS prior year over payment                           |
| General*                     | 48,056           | To include flexibility fund in general fund           |
| General*                     | 150,160          | To include inter-local agreement fund in general fund |
| Retirement                   | (12,860)         | TRS prior year over payment                           |
| Flexibility*                 | 27,907           | Excess claims clearing funds                          |
| Flexibility*                 | (48,056)         | To include flexibility fund in general fund           |
| Inter-local Agreement*       | (150,160)        | To include inter-local agreement fund in general fund |
| Debt Service                 | (101)            | Prior year expenditure error                          |
| <u>High School Fund</u>      |                  |   |
| General*                     | (9,994)          | TRS prior year over payment                           |
| General*                     | (1,286)          | Additional TRS credits                                |
| General*                     | 79,966           | To include flexibility fund in general fund           |
| Retirement                   | (9,994)          | TRS prior year over payment                           |
| Retirement                   | (1,829)          | Additional TRS credits                                |
| Traffic Education            | (267)            | Prior year expenditure error                          |
| Flexibility*                 | (79,966)         | To include flexibility fund in general fund           |
| Flexibility*                 | <u>27,907</u>    | Excess claims clearing funds                          |
| Total                        | <u>\$ 7,324</u>  |   |
| * Denotes Major Funds        |                  |   |
| Governmental Type Activities | <u>39,200</u>    | Prior year down payment on capital project            |
| Total                        | <u>\$ 46,524</u> |   |

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 11. OTHER COMMITMENTS

11. a. 1 CONSTRUCTION OR SIMILAR COMMITMENTS

The School District was in the process of having modular teacher housing installed at year end. The house was purchase but sight work for foundation, electrical, water, and sewer still needed to be completed. Total cost is expected to be approximately \$250,000.

NOTE 12. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 13. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental in-formation for the plans. Those reports may be obtained from the following:

Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, MT 59620-0139  
Phone: 406-444-3134  
www.trs.doa.state.mt.us

Public Employees Retirement System  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, MT 59620-0131  
Phone: 406-444-3154  
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

|       | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       |
|-------|-------------------|-------------------|-------------------|
| TRS   | \$ 285,978        | \$ 244,336        | \$ 274,506        |
| PERS  | 36,036            | 38,806            | 50,841            |
| Total | <u>\$ 322,014</u> | <u>\$ 283,142</u> | <u>\$ 325,347</u> |

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The Broadus School District No. 79J is a member of the Tri County Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Broadus School District No. 79J, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Powder River County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 15. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

15.a.1 INTERLOCAL AGREEMENT FUND

The School District has entered into an agreement with Broadus Elementary and Broadus High School, for the purpose of jointly purchasing/paying for salaries, technology, curriculum, utilities and supplies for the participating districts. Broadus elementary is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Broadus Elementary. During fiscal year ended June 30, 2014 Broadus Elementary general fund and Broadus High School general fund transferred \$0 and \$0, respectively into the elementary school's Interlocal agreement fund.

NOTE 16. TRANSPORTATION

The School District has seven bus routes for its student transportation needs that it contracts independently. The contractors provides buses, drivers, and maintenance of the buses for all student transportation needs of the School District.

The first contract is with John/Connie Robinson for two routes. This contract is for five years from fiscal year 2013 through 2017. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Robinson in fiscal year 2014 were \$153,783.

The second contract is with Ty/Tricia Robinson for one route. This contract is also for five years from fiscal year 2010 through 2014. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Robinson in fiscal year 2014 were \$39,316.

The third contract is with Sonia Fruit for one route. This contract is also for five years from fiscal year 2013 through 2017. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Fruit in fiscal year 2014 were \$45,583.

The fourth contract is with David Richards for 1 route. The contract is for five years, from fiscal year 2010 through 2014. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to the contractor in fiscal year 2014 were \$42,331.

The fifth contract is with Darold/Sylvia Zimmer for one route. This contract is for three years from fiscal year 2013 through 2015. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Zimmer in fiscal year 2014 were \$43,083.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The sixth contract is with Donna Giacometto for one route. This contract is also for five years from fiscal year 2012 through 2016. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Giacometto in fiscal year 2014 were \$40,277.

The seventh contract is with Ray Traub for one route. This contract is for five years from fiscal year 2013 through 2017. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid to Traub in fiscal year 2014 were \$45,505.

BROADUS SCHOOL DISTRICT NO. 79J

SCHEDULE OF FUNDING PROGRESS  
 Other Post-Employment Benefits Other Than Pensions (OPEB)  
 Fiscal Year-Ended June 30, 2014

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value<br/>of Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL) -<br/>Entry Age (b)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded Ratio<br/>(a / b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>[(b-a) / c]</u> |
|---|--|--|--|---------------------------------|------------------------------------|--|
| <u>7/1/2012</u>                         | <u>0</u>   | <u>89,727</u>  | <u>89,727</u>                                | <u>0</u>                        | <u>1,858,291</u>                   | <u>5%</u>  |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year ending June 30, 2014

|                                  | General (Elem)     |                  |                   | Flexibility Fund (Elem.) |                 |                  |
|----------------------------------|--------------------|------------------|-------------------|--------------------------|-----------------|------------------|
|                                  | Original<br>Budget | Final<br>Budget  | Actual            | Original<br>Budget       | Final<br>Budget | Actual           |
| <b>REVENUES:</b>                 |                    |                  |                   |                          |                 |                  |
| District Levies                  | \$ 443,758         | \$ 443,758       | \$ 446,018        | \$ -                     | \$ -            | \$ -             |
| Interest                         | 225                | 225              | 587               | -                        | -               | 125              |
| Other                            | -                  | -                | -                 | -                        | -               | -                |
| County                           | -                  | -                | -                 | -                        | -               | 3                |
| State                            | 736,915            | 736,915          | 735,952           | 12,078                   | 12,078          | 45,879           |
| Total Revenues                   | <u>1,180,898</u>   | <u>1,180,898</u> | <u>1,182,557</u>  | <u>12,078</u>            | <u>12,078</u>   | <u>46,007</u>    |
| <b>EXPENDITURES:</b>             |                    |                  |                   |                          |                 |                  |
| <b>Current</b>                   |                    |                  |                   |                          |                 |                  |
| Instructional Services           |                    |                  | 799,703           |                          |                 | 6,540            |
| Support Services                 |                    |                  | 32,391            |                          |                 | -                |
| Educational Media Services       |                    |                  | 68,482            |                          |                 | -                |
| General Administrative Services  |                    |                  | 164,528           |                          |                 | 23,985           |
| Operation & Maintenance Services |                    |                  | 167,013           |                          |                 | 23,884           |
| Transportation Services          |                    |                  | 4,484             |                          |                 | -                |
| School Food Services             |                    |                  | 15,009            |                          |                 | -                |
| Extracurricular                  |                    |                  | 13,144            |                          |                 | -                |
| Total Current Outlays            |                    |                  | <u>1,264,754</u>  |                          |                 | <u>54,409</u>    |
| Capital Outlay                   |                    |                  | -                 |                          |                 | -                |
| Total Expenditures               | <u>1,264,671</u>   | <u>1,264,671</u> | <u>1,264,754</u>  | <u>60,134</u>            | <u>60,134</u>   | <u>54,409</u>    |
| NET CHANGES IN FUND BALANCES     | (83,773)           | (83,773)         | (82,197)          | (48,056)                 | (48,056)        | (8,402)          |
| <b>FUND BALANCE:</b>             |                    |                  |                   |                          |                 |                  |
| Beginning of the Year            |                    |                  | 212,939           |                          |                 | 48,056           |
| Prior Period Adjustments         |                    |                  | (12,159)          |                          |                 | 27,907           |
| End of the Year                  |                    |                  | <u>\$ 118,583</u> |                          |                 | <u>\$ 67,561</u> |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year ending June 30, 2014

|                                  | General (HS)       |                  |                   | Transportation (HS) |                 |                  |
|----------------------------------|--------------------|------------------|-------------------|---------------------|-----------------|------------------|
|                                  | Original<br>Budget | Final<br>Budget  | Actual            | Original<br>Budget  | Final<br>Budget | Actual           |
| <b>REVENUES:</b>                 |                    |                  |                   |                     |                 |                  |
| District Levies                  | \$ 374,024         | \$ 374,024       | \$ 374,671        | \$ 215,179          | \$ 215,179      | \$ 211,726       |
| Interest                         | 159                | 159              | 523               | -                   | -               | 165              |
| Other                            | -                  | -                | -                 | 45,000              | 45,000          | 8,353            |
| County                           | -                  | -                | -                 | 122,753             | 122,753         | 122,754          |
| State                            | 787,722            | 787,722          | 787,722           | 132,068             | 132,068         | 113,868          |
| Total Revenues                   | <u>1,161,905</u>   | <u>1,161,905</u> | <u>1,162,916</u>  | <u>515,000</u>      | <u>515,000</u>  | <u>456,866</u>   |
| <b>EXPENDITURES:</b>             |                    |                  |                   |                     |                 |                  |
| Current                          |                    |                  |                   |                     |                 |                  |
| Instructional Services           |                    |                  | 692,950           |                     |                 | -                |
| Support Services                 |                    |                  | 16,051            |                     |                 | -                |
| Educational Media Services       |                    |                  | 20,318            |                     |                 | -                |
| General Administrative Services  |                    |                  | 139,085           |                     |                 | 13,769           |
| Operation & Maintenance Services |                    |                  | 202,672           |                     |                 | -                |
| Transportation Services          |                    |                  | 46,625            |                     |                 | 389,865          |
| School Food Services             |                    |                  | 8,027             |                     |                 | -                |
| Extracurricular                  |                    |                  | 84,641            |                     |                 | -                |
| Total Current Outlays            |                    |                  | <u>1,210,369</u>  |                     |                 | <u>403,634</u>   |
| Capital Outlay                   |                    |                  | -                 |                     |                 | -                |
| Total Expenditures               | <u>1,212,126</u>   | <u>1,212,126</u> | <u>1,210,369</u>  | <u>515,000</u>      | <u>515,000</u>  | <u>403,634</u>   |
| NET CHANGES IN FUND BALANCES     | (50,221)           | (50,221)         | (47,453)          |                     |                 | 53,232           |
| <b>FUND BALANCE:</b>             |                    |                  |                   |                     |                 |                  |
| Beginning of the Year            |                    |                  | 173,493           |                     |                 | 40,335           |
| Prior Period Adjustments         |                    |                  | (11,280)          |                     |                 | -                |
| End of the Year                  |                    |                  | <u>\$ 114,760</u> |                     |                 | <u>\$ 93,567</u> |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year ending June 30, 2014

|                                  | Bus Depreciation (HS) |                 |                   | Flexibility Fund (HS) |                 |                  |
|----------------------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|------------------|
|                                  | Original<br>Budget    | Final<br>Budget | Actual            | Original<br>Budget    | Final<br>Budget | Actual           |
| <b>REVENUES:</b>                 |                       |                 |                   |                       |                 |                  |
| District Levies                  | \$ 27,710             | \$ 27,710       | \$ 27,210         | \$ -                  | \$ -            | \$ -             |
| Interest                         | -                     | -               | 1,051             | -                     | -               | 242              |
| Other                            | -                     | -               | -                 | -                     | -               | -                |
| County                           | -                     | -               | -                 | -                     | -               | -                |
| State                            | -                     | -               | -                 | 8,847                 | 8,847           | 50,664           |
| Total Revenues                   | <u>27,710</u>         | <u>27,710</u>   | <u>28,261</u>     | <u>8,847</u>          | <u>8,847</u>    | <u>50,906</u>    |
| <b>EXPENDITURES:</b>             |                       |                 |                   |                       |                 |                  |
| Current                          |                       |                 |                   |                       |                 |                  |
| Instructional Services           |                       |                 | -                 |                       |                 | 23,135           |
| Support Services                 |                       |                 | -                 |                       |                 | -                |
| Educational Media Services       |                       |                 | -                 |                       |                 | -                |
| General Administrative Services  |                       |                 | -                 |                       |                 | 22,546           |
| Operation & Maintenance Services |                       |                 | -                 |                       |                 | 24,780           |
| Transportation Services          |                       |                 | 64,685            |                       |                 | -                |
| School Food Services             |                       |                 | -                 |                       |                 | -                |
| Extracurricular                  |                       |                 | -                 |                       |                 | 813              |
| Total Current Outlays            |                       |                 | <u>64,685</u>     |                       |                 | <u>71,274</u>    |
| Capital Outlay                   |                       |                 | -                 |                       |                 | -                |
| Total Expenditures               | <u>392,083</u>        | <u>392,083</u>  | <u>64,685</u>     | <u>88,812</u>         | <u>88,812</u>   | <u>71,274</u>    |
| NET CHANGES IN FUND BALANCES     | (364,373)             | (364,373)       | (36,424)          | (79,965)              | (79,965)        | (20,368)         |
| <b>FUND BALANCE:</b>             |                       |                 |                   |                       |                 |                  |
| Beginning of the Year            |                       |                 | 364,373           |                       |                 | 79,966           |
| Prior Period Adjustments         |                       |                 | -                 |                       |                 | 27,907           |
| End of the Year                  |                       |                 | <u>\$ 327,949</u> |                       |                 | <u>\$ 87,505</u> |

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE BUDGET VS ACTUAL SCHEDULE  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major fund inter-local agreement fund is not included in the schedule because it is a non-budgeted fund.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

BROADUS SCHOOL DISTRICT NO. 79J

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

|   | <u>Sub-fund<br/>General<br/>Fund<br/>(EL)</u> | <u>Sub-fund<br/>General<br/>Fund<br/>(HS)</u> | <u>Sub-fund<br/>Flexibility<br/>Fund (EL)</u> | <u>Sub-fund<br/>Flexibility<br/>Fund (HS)</u> | <u>Sub-fund<br/>Inter-local<br/>Agreement<br/>Fund (EL)</u> | <u>Total<br/>General<br/>Fund</u> |
|---|---|---|---|---|---|-----------------------------------|
| <b>REVENUES:</b>                                    |   |   |   |   |   |                                   |
| District Levies                                     | \$ 446,018                                    | \$ 374,671                                    | \$ 0  | \$ 0  | \$ 0  | \$ 820,689                        |
| Interest Earnings                                   | 587   | 523   | 125   | 242   | 434   | 1,911                             |
| Other   | 0   | 0   | 3   | 0   | 0   | 3                                 |
| State Sources                                       | <u>735,952</u>                                | <u>787,722</u>                                | <u>45,879</u>                                 | <u>50,664</u>                                 | <u>0</u>  | <u>1,620,217</u>                  |
| Total Revenues                                      | <u>\$ 1,182,557</u>                           | <u>\$ 1,162,916</u>                           | <u>\$ 46,007</u>                              | <u>\$ 50,906</u>                              | <u>\$ 434</u>   | <u>\$ 2,442,820</u>               |
| <b>EXPENDITURES:</b>                                |   |   |   |   |   |                                   |
| Instructional Services                              | 799,854                                       | 692,950                                       | 6,540   | 23,135  | 9,122   | 1,531,601                         |
| Support Services                                    | 32,391  | 16,051  | 0   | 0   | 0   | 48,442                            |
| Educational Media                                   | 68,482  | 20,318  | 0   | 0   | 0   | 88,800                            |
| General Administrative                              | 164,528                                       | 139,085                                       | 23,985  | 22,546  | 34,419  | 384,563                           |
| Operation & Maintenance                             | 167,013                                       | 202,672                                       | 23,884  | 24,780  | 20,033  | 438,382                           |
| Transportation                                      | 4,484   | 46,625  | 0   | 0   | 0   | 51,109                            |
| Extracurricular                                     | 13,144  | 84,641  | 0   | 813   | 0   | 98,598                            |
| School Food   | <u>15,009</u>                                 | <u>8,027</u>                                  | <u>0</u>                                      | <u>0</u>                                      | <u>0</u>  | <u>23,036</u>                     |
| Total Expenditures                                  | <u>\$ 1,264,905</u>                           | <u>\$ 1,210,369</u>                           | <u>\$ 54,409</u>                              | <u>\$ 71,274</u>                              | <u>\$ 63,574</u>  | <u>\$ 2,664,531</u>               |
| Excess (Deficiency) of Revenue<br>Over Expenditures | (82,348)                                      | (47,453)                                      | (8,402)                                       | (20,368)                                      | (63,140)  | (221,711)                         |
| Fund Transfer (Out)                                 | <u>0</u>                                      | <u>0</u>                                      | <u>0</u>                                      | <u>0</u>                                      | <u>(1,805)</u>  | <u>(1,805)</u>                    |
| Net Changes In Fund Balance                         | (82,348)                                      | (47,453)                                      | (8,402)                                       | (20,368)                                      | (64,945)  | (223,516)                         |
| <b>FUND BALANCE:</b>                                |   |   |   |   |   |                                   |
| Beginning of the Year                               | 213,090                                       | 173,494                                       | 0   | 0   | 0   | 386,584                           |
| Prior Period Adjustment                             | <u>(12,159)</u>                               | <u>(11,280)</u>                               | <u>75,963</u>                                 | <u>107,873</u>                                | <u>150,160</u>  | <u>310,556</u>                    |
| Ending of the Year                                  | <u>118,583</u>                                | <u>114,760</u>                                | <u>67,561</u>                                 | <u>87,505</u>                                 | <u>85,215</u>   | <u>473,624</u>                    |

In the reconciliation the general fund, flexibility funds, and inter-local agreement fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility funds, and inter-local agreement fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general funds and flexibility funds because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the inter-local agreement fund are non-budgeted special revenue funds.

BROADUS SCHOOL DISTRICT NO. 79J

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS  
Fiscal Year-Ended June 30, 2014

| <u>Activity Account Name</u> | <u>Beginning<br/>Balance</u> | <u>Revenues</u>  | <u>Expenses</u>  | <u>Ending<br/>Balance</u> |
|------------------------------|------------------------------|------------------|------------------|---------------------------|
|                              | <u>7/1/2013</u>              |                  |                  | <u>6/30/2014</u>          |
| -                            |                              |                  |                  |                           |
| ANNUAL                       | \$ 19,130                    | \$ -             | \$ 2,560         | \$ 16,570                 |
| ALL SCHOOL PLAY              | 851                          | 300              | -                | 1,151                     |
| ATHLETICS                    | 12,051                       | 24,770           | -                | 36,821                    |
| ELEM BOOK FAIR               | 5,118                        | 505              | -                | 5,622                     |
| ART CLASS FEES               | 3,486                        | 2,094            | -                | 5,579                     |
| COLOR BOOK FUND              | 66                           | -                | -                | 66                        |
| ELEM AUTHOR FUND             | 1,792                        | -                | 280              | 1,512                     |
| MCT                          | 121                          | 146              | -                | 267                       |
| CLASS OF 2014                | 1,859                        | -                | 1,352            | 507                       |
| ACADEMIC AWARD FUND          | 11,655                       | -                | 148              | 11,508                    |
| CLASS OF 2015                | 325                          | 2,331            | -                | 2,657                     |
| CLASS OF 2011                | 2                            | -                | -                | 2                         |
| CLASS OF 2010                | 325                          | -                | -                | 325                       |
| CLASS OF 2016                | 199                          | 344              | -                | 543                       |
| FFA                          | 14,563                       | -                | 1,571            | 12,992                    |
| INSTRUMENT USE FUND          | 1,261                        | 1,904            | -                | 3,164                     |
| JR HIGH ATHLETICS            | 11,174                       | -                | 3,167            | 8,007                     |
| LETTERMEN'S CLUB             | 3,276                        | -                | 53               | 3,223                     |
| MUSIC                        | 238                          | -                | 136              | 102                       |
| CLASS OF 2013                | 4,466                        | -                | 1,840            | 2,626                     |
| SHOP                         | 1,910                        | 143              | -                | 2,053                     |
| STUDENT STORE                | 3,823                        | 281              | -                | 4,104                     |
| CHEERLEADERS                 | 1,226                        | -                | 452              | 774                       |
| CLASS OF 2019                | -                            | 120              | -                | 120                       |
| CLASS OF 2018                | -                            | 626              | -                | 626                       |
| SPEECH/DRAMA                 | (75)                         | 165              | -                | 90                        |
| ELEMENTARY ACTIVITY          | 3,607                        | 917              | -                | 4,524                     |
| NATIONAL HONOR SOCIETY       | 66                           | 107              | -                | 173                       |
| FCCLA                        | 2,794                        | 11               | -                | 2,805                     |
| CONCESSIONS                  | 8,892                        | -                | 2,796            | 6,096                     |
| COMMUNITY DEVELOPMENT        | 393                          | 15               | -                | 408                       |
| CLASS OF 2017                | 574                          | 433              | -                | 1,007                     |
| Total                        | <u>\$ 115,166</u>            | <u>\$ 35,211</u> | <u>\$ 14,355</u> | <u>\$ 136,022</u>         |

BROADUS SCHOOL DISTRICT NO. 79J

SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

|                     |                 |                |                 |
|---------------------|-----------------|----------------|-----------------|
| Elementary          |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Kindergarten Full   | 19              | 19             | 0               |
| Grade 1 - 6         | 75              | 75             | 0               |
| Grade 7 - 8         | <u>43</u>       | <u>43</u>      | <u>0</u>        |
| Total               | <u>137</u>      | <u>137</u>     | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | <u>111</u>      | <u>111</u>     | <u>0</u>        |
| Part-time Students  |                 |                |                 |
| Less than 181 hours | 0               | 0              | 0               |
| Less than 359 hours | 0               | 0              | 0               |
| Less than 539 hours | 0               | 0              | 0               |
| Less than 719 hours | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| Total Part-time     | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| 19 year olds        | <u>0</u>        | <u>0</u>       | <u>0</u>        |

WINTER ENROLLMENT - DECEMBER, 2013

|                     |                 |                |                 |
|---------------------|-----------------|----------------|-----------------|
| Elementary          |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Kindergarten Full   | 19              | 19             | 0               |
| Grade 1 - 6         | 75              | 75             | 0               |
| Grade 7 - 8         | <u>44</u>       | <u>44</u>      | <u>0</u>        |
| Total               | <u>138</u>      | <u>138</u>     | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | <u>111</u>      | <u>111</u>     | <u>0</u>        |
| Part-time Students  |                 |                |                 |
| Less than 181 hours | 0               | 0              | 0               |
| Less than 359 hours | 0               | 0              | 0               |
| Less than 539 hours | 0               | 0              | 0               |
| Less than 719 hours | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| Total Part-time     | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| 19 year olds        | <u>0</u>        | <u>0</u>       | <u>0</u>        |

SPRING ENROLLMENT - FEBRUARY, 2014

|                     |                 |                |                 |
|---------------------|-----------------|----------------|-----------------|
| Elementary          |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Kindergarten Full   | 20              | 20             | 0               |
| Grade 1 - 6         | 72              | 72             | 0               |
| Grade 7 - 8         | <u>44</u>       | <u>44</u>      | <u>0</u>        |
| Total               | <u>135</u>      | <u>135</u>     | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | <u>112</u>      | <u>112</u>     | <u>0</u>        |
| Part-time Students  |                 |                |                 |
| Less than 181 hours | 0               | 0              | 0               |
| Less than 359 hours | 0               | 0              | 0               |
| Less than 539 hours | 0               | 0              | 0               |
| Less than 719 hours | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| Total Part-time     | <u>0</u>        | <u>0</u>       | <u>0</u>        |
| 19 year olds        | <u>0</u>        | <u>0</u>       | <u>0</u>        |

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*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Broadus School District No. 79J  
Powder River County  
Broadus, Montana 59317

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 *Governmental 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 Broadus School District No. 79J as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Broadus School District No. 79J's basic financial statements and have issued our report thereon dated May 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Broadus School District No. 79J'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 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 District'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 as items 2014 -1, 2014 -2, 2014-3, and 2014-4.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Broadus School District No. 79J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Broadus School District No. 79J's Response to Findings**

The District did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State.

**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.



STROM & ASSOCIATES, PC  
Billings, Montana  
May 8, 2015

BROADUS SCHOOL DISTRICT NO. 79J  
SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year-Ended June 30, 2014

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

FINDING NUMBER 1 - STUDENT ACTIVITY CASH 2013 (Repeat finding from 2012):

This was not a finding in fiscal year 2014.

FINDING NUMBER 2 - STUDENT ACTIVITY 2013 (repeat finding from 2012):

This was not a finding in fiscal year 2014.

FINDING NUMBER 3 - BUDGET 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 4 - CASH 2013:

This finding was rewritten as finding number 2014-002 below.

FINDING NUMBER 5 - EXPENDITURES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 6 - LIABILITIES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 7 - REVENUE 2013:

This was not a finding in fiscal year 2014.

2014-001 - RECEIVABLES:

Criteria: Generally accepted accounting principles (GAAP) requires receivables to be properly recorded.

Condition: Due from other governments were not properly accrued at year end.

Effect: The effect is under reported revenue and receivables.

Context: Revenue and receivables were under reported by \$51,681.

Cause: This was caused by the new clerk not realizing that the funds needed to be accrued.

Recommendation: We recommend that the district recognize federal grant revenue based on the expenditures incurred for each program.

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

2014-002 – CASH (Repeat finding from 2013-004 and has been updated):

Criteria: GAAP requires cash balances to be properly recorded.

Condition: Payroll & claims clearing funds were not balanced to the County or the outstanding warrants at year end.

Effect: The effect is to little cash reported on the Trustee's Financial Summary (TFS) and too much cash in the funds at the County. At the request of the client the audit report has been adjusted to reflect the correct amount of cash and outstanding warrants.

Context: The TFS claims clearing fund includes \$11,284 of electronic transactions that have cleared and are still on the outstanding report. In addition, the TFS claims clearing funds cash and outstanding warrants are under reported by \$52,979 and the payroll clearing funds cash and outstanding warrants are over reported by \$8,499. Further, the County has \$35,287 more cash in the clearing funds than the district has in outstanding warrants.

Cause: This was caused by not reconciling these two funds to the County treasurer's report and the outstanding warrant list on a monthly basis.

Recommendation: We recommend the district reconcile these two fund to the outstanding warrant list and the County treasurer's reports on a monthly basis.

2014-003 – CASH RECONCILIATION:

Criteria: State codes require cash balances to be balanced with the County Treasurer's reports on a monthly basis.

Condition: The district had fifteen funds that cash balances did not reconcile to the County Treasurer's reports at June 30, 2014.

Effect: The effect is that cash is not being reconciled to the county on a monthly basis.

Context: The County's June 30, 2014 report indicates county cash is \$1,707,998 and the TFS is reporting \$1,667,021 of cash relating to county deposits, for a difference of \$40,997. With the adjustment to clean up the clearing accounts noted above (2014-002) governmental funds are overstated by \$3,553.

Cause: This was caused by a computer problem in a previous year and not reconciling to the county.

Recommendation: We recommend the district reconcile fund cash balances to the County Treasurer's reports on a monthly basis.

2014-004 - STUDENT ACTIVITIES:

Criteria: Proper Internal Controls require student activity fiduciary funds to be properly documented.

Condition: The district could not generate student activity reports by account. Expense and Revenue reports for the year also could not be generated by account.

Effect: The district could not provide adequate documentation for FY14.

Context: Internal Controls over financial reporting were not adequate. Accounts were reconciled for the year.

Cause: The district change to a new version of their computer program and had numerous problems in the conversion.

Recommendation: The district maintain records for student activity funds that allow proper reporting for the year.