

GERALDINE SCHOOL DISTRICT NO. 3

**CHOUTEAU COUNTY
GERALDINE, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Geraldine School District No. 3
Chouteau County
Geraldine, MT 59446

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Geraldine School District No. 3
Chouteau County
Geraldine, MT 59446

ORGANIZATION

BOARD OF TRUSTEES

Chris Diekhans	Chair
Bryan Duvall	Vice Chair
Alix Reid	Trustee
Jon Owen	Trustee
Tim Seaman	Trustee

OFFICIALS

Chad Fordyce	Superintendent
Brigette Clark	District Clerk
Rick Cook	County Superintendent
Steve Gannon	County Attorney

**Geraldine School Districts III
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of Geraldine Schools have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

Using This Audit Report

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

Reporting the School District as a Whole

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

- A. The **Statement of Net Assets** shows the “assets” (what is owned), “liabilities” (what is owed) and the “net assets” (the resources that would remain if all obligations were settled) of the 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 assets are invested in “fixed” or “capital” assets, such as building, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The **Statement of Activities** shows the amounts of program-specific and general school district revenues used to support the school districts various functions.

Reporting the District Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State laws and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and bus depreciation, 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 the 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 service, 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 the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the District’s Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund.

This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets 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 Comparison

The General Fund Budget for FY2014 was \$1,189,980.11, and is the maximum amount allowed by state funding laws. This was an increase from the previous year of \$26,643.05. ANB (average number belonging), or the enrollment calculation, utilized 3-year averaging in the high school and current year ANB for the elementary and junior high. ANB was down three ANB for FY2014 from 103 to 100. The increase in the General Fund budget was realized from an increase in the Data for Achievement Component of \$1,000.00, and an increase in the basic entitlement of \$25,643.05. Other revenue increase from 610,819 to 623,692. This was an increase of \$12,873.00. Other revenue is comprised of direct state aid, the Quality Educator, At Risk Student, Indian Education for All, American Indian Achievement Gap, Data for Achievement, and State Special Education Payments. These are all entitlements paid by the State from taxpayer dollars. Increases in these entitlements were approved in the

recent legislative session. General Fund property tax requirements increased \$11,721.23 in FY2014 to a levy of \$563,071.23, being 102.66 mills. No vote was necessary to attain the maximum budget amount.

The budgetary comparison schedules show how actual expenditures compare to the original and final budgeted expenditures for the general fund.

The District as a Whole

One important question asked about the District's finances is, "Is the District better or worse off as a result the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, including reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net assets over time is one indicator of whether the District's financial health is improving or deteriorating. There are also other non-financial factors that influence the District's fiscal health, such as enrollment changes, changes in the State's funding or educational costs, changes in the economy, or changes in the District's tax bases.

The following chart shows changes in the district's net position from FY2013 to FY2014:

NET POSITION	Governmental Activities			
	2014	2013	CHANGE	% CHANGE
Current Assets	\$ 455,571	\$ 463,981	\$ (8,410)	-1.81%
Capital Assets, net	<u>1,981,295</u>	<u>2,071,818</u>	<u>(90,523)</u>	<u>-4.37%</u>
Total Assets	2,436,866	2,535,799	(98,933)	-3.90%
Current Liabilities	5,313	3,839	1,474	38.40%
Long Term Liabilities	<u>72,812</u>	<u>60,899</u>	<u>11,913</u>	<u>19.56%</u>
Total Liabilities	78,125	64,738	13,387	20.68%
Net Position:				
Net Investment in Capital Assets	1,981,295	2,071,818	(90,523)	-4.37%
Restricted	294,588	318,589	(24,001)	-7.53%
Unrestricted	<u>82,858</u>	<u>80,654</u>	<u>2,204</u>	<u>2.73%</u>
Total Net Position	2,358,741	2,471,061	(112,320)	-4.55%
CHANGES IN NET POSITION	Governmental Activities			
	2014	2013	CHANGE	% CHANGE
Revenues				
Program Revenues:				
Charges for Services	30,110	26,954	3,156	11.71%
Operating Grants	245,362	204,550	40,812	19.95%
General Revenues:				
District Levies	655,495	635,404	20,091	3.16%
State Equalization	441,385	422,150	19,235	4.56%
Other State Revenues	126,051	281,965	(155,914)	-55.30%
County	126,559	111,858	14,701	13.14%
Interest	750	1,327	(577)	-43.52%
Other	<u>2,294</u>	<u>16,523</u>	<u>(14,229)</u>	<u>-86.11%</u>
Total Revenues	1,628,007	1,700,731	(72,724)	-4.28%
Program Expenses				
Instructional Services	838,365	842,850	(4,485)	-0.53%
Support Services	21,943	23,535	(1,592)	-6.76%
Educational Media Services	20,097	22,645	(2,548)	-11.25%
General Administrative Services	232,114	208,209	23,905	11.48%
Operation & Maintenance Services	250,593	236,852	13,741	5.80%
Transportation Services	158,307	157,625	682	0.43%
OPEB	-	5,410	(5,410)	-100.00%
School Food Services	95,301	83,316	11,985	14.39%
Extracurricular	84,013	92,758	(8,745)	-9.43%
Unallocated Depreciation Expense *	<u>39,595</u>	<u>-</u>	<u>39,595</u>	<u>0%</u>
Total Expenses	<u>1,740,327</u>	<u>1,673,200</u>	<u>67,127</u>	<u>4.01%</u>
Change in Net Position	(112,321)	27,531	(139,852)	

Overall expenses were up 4.01% in FY2014 by \$67,127. Increases in School Food Services, Operation and Maintenance Services, and General Administration Services realized the most significant increases, while educational media expenses decreased over 11%. The overall change in net assets was \$139,852.

Analysis of Financial Information

No District major (exceeding \$5,000) purchases were made in FY2014. A Quality Schools Grant Project was scheduled to begin in the Summer of 2014 in the amount of just over \$68,000. This grant funding was to be used for a new heating unit in the industrial arts shop and heating controls in the elementary wing. The superintendent house basement retrofit continued. Some minor updates were anticipated at a teacher house.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant of the District's funds. Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total government fund amounts. In the 2013 fiscal year, the assets, liabilities, revenues and expenditures of the general funds, the bus depreciation fund, building fund, miscellaneous programs, and retirement fund exceeded the thresholds. The bus depreciation fund is funded primarily by property taxes and the building fund is utilized for long-term building projects. The miscellaneous programs fund is funded by grant funds such as Title funds and any one-time only funds appropriated by the legislature. The retirement fund is funded by a county tax levy.

The major government funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

Capital Assets

As of June 30, 2014, the District had total net assets of \$ 1,981,295 including land, buildings, machinery and equipment. The district currently has no long-term debt such as bonds, leases, or long-term notes.

The District's Future

Small Rural Schools funds continue decline due to cuts in federal funding. Funds from this program were utilized to pay for the preschool program and for technology purposes.

A Quality Schools Grant was awarded to Geraldine K-12 Schools in the amount of \$68,161.00 in FY2013 for further work on the heating controls for the elementary and auditorium and insulation. Work was scheduled to be completed in FY2014; however a late start caused the program to be ongoing at the end of FY2014.

Title funds continue to assist district funding. Geraldine Schools received a cumulative award of \$66,789.00 in Title IA funds for FY2014. These funds are utilized in conjunction with the special education program to assist in improving basic educational programs. Funds were used in FY2014 to pay teacher's salaries, aides' salaries, training for teachers and aides, and supplies to assist in improving basic educational programs.

Declining enrollment continues to be worrisome for Geraldine Schools. As enrollment declines measures will be necessary to ensure the financial stability of Geraldine K-12 Schools. Enrollment declined slightly for the 2014 fiscal year; however Geraldine K-12 Schools was able to realize a General Fund budget increase due to increases the legislature approved.

Contact for Additional Information

If you have questions about this report or need additional information, contact Chad Fordyce, Superintendent, or Brigitte Clark, District Clerk at 238 Brewster Street, Geraldine, Montana, or by phone at (406) 737-4371.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Geraldine School District No. 3
Chouteau County
Geraldine, MT 59446

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 Geraldine School District No. 3 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Geraldine School District No. 3 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) the schedule of funding for other post-employment benefits other than pensions (page 23), and budgetary comparison information (pages 24 - 27) 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 Geraldine School District No. 3's basic financial statements. The accompanying schedule of reported enrollment (page 28) and schedule of revenues, expenses and balances student activity funds (page 29) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of reported enrollment and schedule of revenues, expenses and balances student activity funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of reported enrollment and schedule of end of year revenues and expenses student activity funds 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 December 15, 2014 on our consideration of Geraldine School District No. 3 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 Geraldine School District No. 3 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
December 15, 2014

Geraldine School District No. 3
 Chouteau County
 Geraldine, Montana 59446

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 447,053
Taxes Receivable	5,609
Due From Other Governments	<u>2,909</u>
Total Current Assets	<u>455,571</u>
Noncurrent Assets:	
Capital Assets:	
Land	3,901
Net Depreciable Assets	<u>1,977,394</u>
Total noncurrent assets	<u>1,981,295</u>
Total Assets	<u>\$ 2,436,866</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>5,313</u>
Total Current Liabilities	<u>5,313</u>
Noncurrent Liabilities:	
Long-Term Obligations	27,050
Compensated Absences	<u>45,762</u>
Total noncurrent Liabilities	<u>72,812</u>
Total Liabilities	<u>78,125</u>
NET POSITION:	
Net Investment in Capital Assets	1,981,295
Restricted	294,588
Unrestricted (deficit)	<u>82,858</u>
Total Net Position	<u>2,358,741</u>
Total Liabilities and Net Position:	<u>\$ 2,436,866</u>

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

STATEMENT OF ACTIVITIES
 as of June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 838,365	\$ 900	\$ 141,984	\$ (695,481)
Support Services	21,943	-	-	(21,943)
Educational Media Services	20,097	-	1,482	(18,615)
General Administrative Services	232,114	-	2,611	(229,502)
Operation & Maintenance Services	250,593	8,400	-	(242,193)
Transportation Services	158,307	-	54,247	(104,060)
School Food Services	95,301	20,810	45,037	(29,453)
Extracurricular	84,013	-	-	(84,013)
Unallocated Depreciation Expense *	39,595	-	-	(39,595)
Total Governmental Activities	<u>1,740,327</u>	<u>30,110</u>	<u>245,362</u>	<u>(1,464,855)</u>
GENERAL REVENUES				
District Levies				655,495
State Equalization				441,385
Other State Revenues				126,051
County				126,559
Interest				750
Other				2,294
Total General Revenues				<u>1,352,535</u>
Change in Net Position				(112,321)
Net Position				
Beginning of the Year				<u>2,471,061</u>
End of the Year				<u>\$ 2,358,741</u>

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation	Building		
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	156,208	122,599	86,851	81,394	447,053
Taxes Receivable	4,774	301	-	534	5,609
Due From Other Governments	-	-	-	2,909	2,909
Total Assets	\$ 160,983	\$ 122,900	\$ 86,851	\$ 84,837	\$ 455,571
LIABILITIES:					
Total Liabilities	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	4,774	301	-	534	5,609
Total Deferred Inflows of resources	4,774	301	-	534	5,609
FUND BALANCE:					
Fund Balances:					
Restricted	-	122,599	86,851	73,948	293,753
Assigned	1,026	-	-	-	1,026
Unassigned:	155,182	-	-	10,355	155,182
Total Fund Balance	156,208	122,599	86,851	84,303	449,962
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 160,983	\$ 122,900	\$ 86,851	\$ 84,837	\$ 455,571

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 449,962
Governmental Capital Assets	1,981,295
Long-term Liabilities	
Long-Term Obligations	(27,050)
Compensated Absences	(51,075)
Unavailable Property Taxes Receivable	5,609
Net Position of Governmental Activities	\$ 2,358,741

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
 as of June 30, 2014

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation	Building		
REVENUES:					
District Levies	\$ 559,582	\$ 34,692	\$ -	\$ 63,524	\$ 657,798
Interest	230	211	162	146	750
Charges for Services	-	-	-	30,110	30,110
Other	973	-	-	1,322	2,294
County	-	-	-	154,073	154,073
State	629,836	-	-	31,479	661,315
Federal	-	-	-	123,969	123,969
Total Revenues	<u>1,190,621</u>	<u>34,903</u>	<u>162</u>	<u>404,623</u>	<u>1,630,310</u>
EXPENDITURES:					
Current					
Instructional Services	622,133	-	-	204,677	826,809
Support Services	20,454	-	-	1,489	21,943
Educational Media Services	16,717	-	-	3,380	20,097
General Administrative Services	190,447	-	-	39,323	229,770
Operation & Maintenance Services	230,382	-	-	15,035	245,418
Transportation Services	26,709	688	-	87,654	115,052
School Food Services	11,993	-	-	82,920	94,913
Extracurricular	72,131	-	-	10,285	82,416
Total Expenditures	<u>1,190,965</u>	<u>688</u>	<u>-</u>	<u>444,764</u>	<u>1,636,417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(344)</u>	<u>34,215</u>	<u>162</u>	<u>(40,140)</u>	<u>(6,107)</u>
OTHER FINANCING SOURCES/USES					
Fund Transfers In	-	-	-	4,580	4,580
Fund Transfers (Out)	<u>(4,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,580)</u>
Total Other financial Sources/Uses	<u>(4,580)</u>	<u>-</u>	<u>-</u>	<u>4,580</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(4,924)</u>	<u>34,215</u>	<u>162</u>	<u>(35,561)</u>	<u>(6,107)</u>
FUND BALANCE:					
Beginning of the Year	138,471	88,384	86,689	142,525	456,069
Prior Period Adjustment	<u>22,661</u>	<u>-</u>	<u>-</u>	<u>(22,661)</u>	<u>-</u>
End of the Year	<u>\$ 156,208</u>	<u>\$ 122,599</u>	<u>\$ 86,851</u>	<u>\$ 84,303</u>	<u>\$ 449,962</u>

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

Geraldine School District No. 3
Chouteau County
Geraldine, Montana 59446

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
as of June 30, 2014

Net Changes in Fund Balance	\$	(6,107)
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		(2,303)
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(90,523)	
(Increase) decrease in Other Post Employment Benefits	(5,410)	
(Increase) decrease in compensated absence liability	<u>(7,977)</u>	<u>(103,910)</u>
Change in net position reported on the Statement of Activity	\$	<u>(112,321)</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	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 37,624	\$ 66,411
Total Assets	<u>37,624</u>	<u>66,411</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	66,411
Total Liabilities	<u>-</u>	<u>66,411</u>
NET POSITION:		
Restricted for Endowment	1,346	
Restricted for Student Activities	36,278	
Total Net Position	<u>\$ 37,624</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 73,922
Contributions to Endowment	57
Total Additions	<u>73,979</u>
DEDUCTIONS:	
Expenses of Student Activities	63,193
Student Scholarships	2,000
Total Deductions	<u>65,193</u>
CHANGE IN NET POSITION	8,786
NET POSITION:	
Beginning of the Year	<u>28,837</u>
End of the Year	<u>\$ 37,624</u>

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

GERALDINE SCHOOL DISTRICT NO. 3

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 School District No. 3 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 District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the District adopted the following:

- 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 District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.
- 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 District.

The following are a listing of GASB statements which have been issued and the 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 District to expand its pension foot note disclosures. The 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. 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 District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

School District No. 3 & 44 provides education for kindergarten through twelfth grade. 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.

The criteria for including organizations as component units within the 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 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 District. Based on those criteria this 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. These statements report financial information for the District as a whole except for the fiduciary funds. The fiduciary funds are reported as a private purpose trust fund in the fund financial statements.

The government-wide financial statements and fiduciary fund 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.

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:

GERALDINE SCHOOL DISTRICT NO. 3

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

- Charges for services such as school lunch fees and facility rental 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

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for 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.

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.

GASB Statement No. 34 requires the general fund be reported as a 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 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 following funds are major funds of School District No. 3 & 44:

- General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the 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 flexibility and inter-local funds since the restrictions on those funds are similar to the general fund.
- 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 buses and two-way radio equipment owned by the district.
- Building Fund – This fund is used to account for funds approved for general repair and maintenance of the District's buildings.

1. b. 3 OTHER FUND TYPES

Trust Funds – The Trust Fund accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations and any scholarship commitments.

GERALDINE SCHOOL DISTRICT NO. 3

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

Agency Funds – The Agency Funds generally are used to account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds. 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 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 Chouteau 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 so all inventory was included as expenditures at the time of purchase.

1. c. 4 CAPITAL ASSETS

The District's property, plant, equipment, and infrastructure 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 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. Depreciation on 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:

Buildings	5 – 125 years
Improvements other than buildings	20 – 25 years
Machinery and Equipment	5 – 20 years

1.c. 5 VACATION AND SICK LEAVE

School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. 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. 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. Certified employees are paid out amounts over 40 days at year end or in total at termination at \$70 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 \$5,313 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$51,075.

GERALDINE SCHOOL DISTRICT NO. 3

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

1.c. 6 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.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 4,867	\$ 1,026
Operations and Maintenance	1,780	0
Student Transportation	147,051	0
School Food	185	0
Third Party Grantor Restrictions	8,024	0
Employer Retirement Benefits	42,198	0
Future Technology	2,797	0
Future Capital Costs	86,851	0
Total	<u>\$ 293,753</u>	<u>\$ 1,026</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER
1. d. 1 USE OF ESTIMATES

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

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 Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 447,053</u>	<u>\$ 104,034</u>	<u>\$ 551,087</u>

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

	<u>Amount</u>
Cash on Hand	\$ 500
Demand Accounts	36,278
County Investment Pool	514,309
Total	<u>\$ 551,087</u>

GERALDINE SCHOOL DISTRICT NO. 3

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

Cash resources of the District are held and managed by the Chouteau County treasurer. They are combined with cash resources of other governmental entities within Chouteau County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of certificates of deposit and STIP and are carried at fair value.

The cash of the extracurricular funds is held separately by the school district, not at the county, and is covered by FDIC.

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 \$5,484,429. The tax rates assessed for the year ended June 30, 2014 to finance District operations and applicable taxes receivable were as follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	102.66	\$ 4,774
Transportation	7.83	357
Bus Depreciation*	6.36	301
Adult Education	0	2
Technology	<u>3.87</u>	<u>175</u>
Total	<u>120.72</u>	<u>\$ 5,609</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	183	State of MT	Matching payment
Miscellaneous	1,705	State of MT	Title I Part A
Miscellaneous	729	State of MT	Carl Perkins
Traffic Education	<u>292</u>	State of MT	Per pupil reimbursement
Total	<u>\$ 2,909</u>		

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 July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Non-Depreciable:</u>				
Land	<u>\$ 3,901</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,901</u>
<u>Depreciable:</u>				
Land Improvements	\$ 41,222	\$ 0	\$ 0	\$ 41,222
Buildings	3,164,670	0	0	3,164,670
Major Equipment	<u>500,709</u>	<u>0</u>	<u>0</u>	<u>500,709</u>
Total Depreciable	<u>\$ 3,706,601</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,706,601</u>
<u>Accumulated Depreciation:</u>				
Land Improvements	\$ (18,830)	\$ (1,829)	\$ 0	\$ (20,659)
Buildings	(1,327,676)	(37,765)	0	(1,365,441)
Major Equipment	<u>(292,178)</u>	<u>(50,929)</u>	<u>0</u>	<u>(343,107)</u>
Total Depreciation	<u>\$ (1,638,684)</u>	<u>\$ (90,523)</u>	<u>\$ 0</u>	<u>\$ (1,729,207)</u>
Net Depreciable Assets	<u>2,067,917</u>	<u>(90,523)</u>	<u>0</u>	<u>1,977,394</u>
Net Governmental Capital Assets	<u>\$ 2,071,818</u>	<u>\$ (90,523)</u>	<u>\$ 0</u>	<u>\$ 1,981,295</u>

GERALDINE SCHOOL DISTRICT NO. 3

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	\$ 2,962
Operation & Maintenance	3,853
Transportation	42,131
School Food	385
Extracurricular	1,597
Unallocated	<u>39,595</u>
Total Depreciation Expense	<u>\$ 90,523</u>

NOTE 6. 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 district has joined with other districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating 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 district other than timely payments of premiums. The district can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The 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 7. 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 information 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, District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

GERALDINE SCHOOL DISTRICT NO. 3

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 103,224	\$ 101,548	\$ 120,182
PERS	24,123	24,528	27,587
Total	<u>\$ 127,347</u>	<u>\$ 126,076</u>	<u>\$ 147,769</u>

NOTE 8. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Other Liabilities:</u>					
Compensated Absences	\$ 43,098	\$ 7,977	\$ 0	\$ 51,075	\$ 5,313
Other Post-Employment Benefits (OPEB)	21,640	5,410	0	27,050	0
Total Other Liabilities	<u>\$ 64,738</u>	<u>\$ 13,387</u>	<u>\$ 0</u>	<u>\$ 78,125</u>	<u>\$ 5,313</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 4,774	Taxes Receivable
Transportation	357	Taxes Receivable
Bus Depreciation*	301	Taxes Receivable
Adult Education	2	Taxes Receivable
Technology	175	Taxes Receivable
Total	<u>\$ 5,609</u>	

* Denotes Major Funds

NOTE 10. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	<u>\$ 4,580</u>	Compensated Absences - Allowable transfer

* Denotes Major Funds

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

The District provides \$84,000 towards health care costs. The District covers 75% of a single member's premium, while the remainder is split among the other participants. The 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.

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:

GERALDINE SCHOOL DISTRICT NO. 3

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

Actuarial Accrued Liability (AAL)	\$ 64,645
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>64,645</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 868,828
UAAL as a percentage of covered payroll	7%

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)	\$ 5,410
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	5,410
Contribution made	<u>0</u>
Increase in net OPEB obligation	5,410
Net OPEB obligation - beginning of year	<u>21,640</u>
Net OPEB obligation - end of year	<u>\$ 27,050</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)	1.0%
Average Salary Increase	3.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTE 12. OTHER COMMITMENTS

12. a. 1 ENCUMBRANCES

The District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as committed in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 1,026
Miscellaneous	<u>1,200</u>
Total	<u>\$ 2,226</u>

* Denotes Major Funds

GERALDINE SCHOOL DISTRICT NO. 3

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

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Geraldine School District No. 3 is a member of the Chouteau County Special Services 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 Geraldine School District No. 3, 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 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 Chouteau County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member 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 14. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 22,661	Reevaluation of special revenue funds under GASB Number 54
Flexibility*	(10,466)	Reevaluation of special revenue funds under GASB Number 54
Interlocal	(12,195)	Reevaluation of special revenue funds under GASB Number 54
Total	<u>\$ 0</u>	

* Denotes Major Funds

GERALDINE SCHOOL DISTRICT NO. 3

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>\$0</u>	<u>\$64,645</u>	<u>\$64,645</u>	<u>0%</u>	<u>\$868,828</u>	<u>7%</u>

Prior year data not reported, the school district reevaluated its participation rate which was 100% in the previous valuation and determined that 10% of plan participants would elect to continue coverage after retirement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 as of June 30, 2014

	General Fund			Bus Depreciation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 563,071	\$ 563,071	\$ 559,582	\$ 34,862	\$ 34,862	\$ 34,692
Interest	294	294	185	300	300	211
Other	934	934	973	-	-	-
State	622,463	622,463	622,463	-	-	-
Total Revenues	<u>1,186,762</u>	<u>1,186,762</u>	<u>1,183,203</u>	<u>35,162</u>	<u>35,162</u>	<u>34,903</u>
EXPENDITURES:						
Current						
Instructional Services			615,659	-	-	-
Support Services			20,454	-	-	-
Educational Media Services			16,717	-	-	-
General Administrative Services			190,447	-	-	-
Operation & Maintenance Services			230,382	-	-	-
Transportation Services			26,709	-	-	688
School Food Services			11,993	-	-	-
Extracurricular			72,131	-	-	-
Total Current Outlays	<u>1,185,400</u>	<u>1,185,400</u>	<u>1,184,492</u>	<u>-</u>	<u>-</u>	<u>688</u>
Capital Outlay	-	-	-	123,546	123,547	-
Total Expenditures	<u>1,185,400</u>	<u>1,185,400</u>	<u>1,184,492</u>	<u>123,546</u>	<u>123,547</u>	<u>688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,362</u>	<u>1,362</u>	<u>(1,289)</u>	<u>(88,384)</u>	<u>(88,385)</u>	<u>34,215</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	(4,580)	(4,580)	(4,580)	-	-	-
Total Other financial Sources/Uses	<u>(4,580)</u>	<u>(4,580)</u>	<u>(4,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(3,218)</u>	<u>(3,218)</u>	<u>(5,868)</u>	<u>(88,384)</u>	<u>(88,385)</u>	<u>34,215</u>
FUND BALANCE:						
Beginning of the Year			138,471			88,384
End of the Year			<u>\$ 132,603</u>			<u>\$ 122,599</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
 as of June 30, 2014

	Total Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ 34,862	\$ 34,862	\$ -
Interest	300	300	17
Other	-	-	-
State	-	-	7,372
Total Revenues	<u>35,162</u>	<u>35,162</u>	<u>7,389</u>
EXPENDITURES:			
Current			
Instructional Services	-	-	7,500
Support Services	-	-	-
Educational Media Services	-	-	-
General Administrative Services	-	-	-
Operation & Maintenance Services	-	-	-
Transportation Services	-	-	-
School Food Services	-	-	-
Extracurricular	-	-	-
Total Current Outlays	-	-	7,500
Capital Outlay	123,546	123,547	-
Total Expenditures	<u>123,546</u>	<u>123,547</u>	<u>7,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(88,384)</u>	<u>(88,385)</u>	<u>(111)</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers (Out)	-	-	-
Total Other financial Sources/Uses	-	-	-
NET CHANGES IN FUND BALANCES	<u>(88,384)</u>	<u>(88,385)</u>	<u>(111)</u>
FUND BALANCE:			
Beginning of the Year			10,466
End of the Year			<u>\$ 10,355</u>

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

GERALDINE SCHOOL DISTRICT NO. 3

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 and budgeted special revenue funds including (Transportation, Bus Depreciation, Retirement, Adult Education, Technology, Flexibility). 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 building fund 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. FUND BALANCE RECONCILIATION

The fund balance of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$1,026. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

GERALDINE SCHOOL DISTRICT NO. 3

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</u> <u>General</u> <u>Fund</u>	<u>Sub-fund</u> <u>Inter-local</u> <u>Agreement</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:				
District Levies	\$ 559,582	\$ 0	\$ 0	\$ 559,582
Interest Earnings	185	29	17	231
Other	973	0	0	973
State Sources	<u>622,463</u>	<u>0</u>	<u>7,372</u>	<u>629,835</u>
Total Revenues	<u>\$ 1,183,203</u>	<u>\$ 29</u>	<u>\$ 7,389</u>	<u>\$ 1,190,621</u>
EXPENDITURES:				
Instructional Services	614,633	0	7,500	622,133
Support Services	20,454	0	0	20,454
Educational Media	16,717	0	0	16,717
General Administrative	190,447	0	0	190,447
Operation & Maintenance	230,382	0	0	230,382
Transportation	26,709	0	0	26,709
Extracurricular	72,131	0	0	72,131
School Food	<u>11,993</u>	<u>0</u>	<u>0</u>	<u>11,993</u>
Total Expenditures	<u>\$ 1,183,465</u>	<u>\$ 0</u>	<u>\$ 7,500</u>	<u>\$ 1,190,965</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(262)</u>	<u>29</u>	<u>(111)</u>	<u>(344)</u>
Fund Transfers (Out)	<u>(4,580)</u>	<u>0</u>	<u>0</u>	<u>(4,580)</u>
Net Changes In Fund Balance	(4,842)	29	(111)	(4,924)
FUND BALANCE:				
Beginning of the Year	<u>138,471</u>	<u>12,195</u>	<u>10,466</u>	<u>161,132</u>
Ending of the Year	<u>133,630</u>	<u>12,224</u>	<u>10,355</u>	<u>156,208</u>

In the reconciliation the general fund, inter-local agreement and flexibility funds 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 and inter-local agreement funds 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 the general fund and flexibility fund are shown because they are reported as major funds and have legally adopted budgets.

GERALDINE SCHOOL DISTRICT NO. 3

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	5	5	0
Grade 1 - 6	35	35	0
Grade 7 - 8	<u>17</u>	<u>17</u>	<u>0</u>
Total	<u>47</u>	<u>47</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</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>1</u>	<u>1</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</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	5	5	0
Grade 1 - 6	35	35	0
Grade 7 - 8	<u>17</u>	<u>17</u>	<u>0</u>
Total	<u>47</u>	<u>47</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>34</u>	<u>35</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>1</u>	<u>1</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</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	5	5	0
Grade 1 - 6	36	36	0
Grade 7 - 8	<u>17</u>	<u>17</u>	<u>0</u>
Total	<u>58</u>	<u>58</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>34</u>	<u>34</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>1</u>	<u>1</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

GERALDINE SCHOOL DISTRICT NO. 3

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

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Transfers	Ending Balance 6/30/2014
ATHLETICS	\$ 6,457	\$ 15,920	\$ 21,032	\$ (767)	\$ 578
ANNUAL	5	3,280	3,291	600	594
CLEARING	48	2,692	2,495	-	245
CLASS OF 2016	3,610	-	26	25	3,609
CLASS OF 2017	334	7,528	3,946	(435)	3,481
UNITE	708	2,124	2,435	0	396
CLASS OF 2019	-	-	11	11	-
SPEECH & DRAMA	379	-	-	-	379
CLASS C CLASSIC	267	-	-	-	267
PEP CLUB	130	1,602	914	-	818
CLASS OF 2015	5,498	460	2,845	(1,990)	1,123
SCIENCE CLUB	375	1,010	1,385	156	157
LETTER CLUB	3,410	2,106	3,644	-	1,872
STUDENT COUNCIL	93	48	29	(110)	2
CLASS OF 2018	-	5	34	50	21
HONOR SOCIETY	173	-	68	-	105
CLASS OF 2014	177	-	177	-	-
SMITHSONIAN 2015	351	30,648	18,002	2,460	15,457
FUTURE FARMERS OF AM	236	5,194	2,290	-	3,139
YELLOWSTONE EXPED	<u>3,299</u>	<u>1,305</u>	<u>568</u>	<u>-</u>	<u>4,035</u>
Total	\$ 25,548	\$ 73,922	\$ 63,193	\$ -	\$ 36,278

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
Geraldine School District No. 3
Chouteau County
Geraldine, MT 59446

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 Geraldine School District No. 3 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Geraldine School District No. 3's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Geraldine School District No. 3'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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Geraldine School District No. 3'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*.

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
December 15, 2014

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

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report or the current audit report.