



Independent Auditor's Report  
& Financial Statements

**Malta Public School District 14A**

Phillips County

Malta, Montana

June 30, 2014

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June 30, 2014

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## ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS

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June 30, 2014

### BOARD OF TRUSTEES

Mark Knudsen	Chairman
Carter Clausen	Vice-Chairman
Gaelen Curtis	Trustee
Greg Skiff	Trustee
RJ Tollefson	Trustee

### OFFICIALS

Kris Kuehn	District Superintendent
Jane Knudsen	District Clerk/Business Manager
Edward Amestoy	County Attorney
Vivian Taylor	County Superintendent of Schools
Jean Mavencamp	County Treasurer

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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June 30, 2014

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

### USING THIS FINANCIAL 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. This report was developed in conjunction with the current independent financial audit; please refer to the table of contents for references to statements mentioned.

### BASIC FINANCIAL STATEMENTS

The report includes district-wide statements that focus on operations of the District as a whole. These statements measure inputs and outflows using an economic resources measurement focus and the accrual basis accounting. Activities that are fiduciary in nature are independent of this financial reporting.

Governmental (District) Funds reporting focuses on the sources (e.g., property taxes, state and federal revenues), uses (such as instruction, student services, administration), and balances of the current financial resources.

The Statement of Net Position 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 District. That statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Other 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 in the following year.

The Statement of Activities show the amounts of program-specific and general school district revenues and associated expenses used to support the District's various functions.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Reporting the District's Trust and Fiduciary Responsibilities – fiduciary fund types are used to account for assets held by the District; as a trustee and/or an agent for other entity (e.g., individuals, private organizations, other governmental units, and/or other units). The District acts as the fiduciary for the students' extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. The District cannot use these assets to fund its operations.

The Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds, 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. With modified accrual accounting, revenues are recognized as the funds become available and expenditures are documented when the liability is incurred. Fund statements include a reconciliation of the governmental fund statement to the district-wide statements. Most significant differences result from the use of different presentation basis. 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 Most Significant Funds

The fund statements detail information about those funds used by the District. State law and Generally Accepted Accounting Principles (GAAP) establish the funds school districts utilize. State law generally requires school districts to set apart money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. State law also limits the transfer of monies between funds; generally, each fund is autonomous and managed accordingly.

The fund statements report balances and activities of the most significant, or "major" funds separately. The activities of less significant funds are combined into a single category: Other Governmental Funds. Significance of funds is determined based on the proportional size of the funds (at least, 10% of the total of all funds), the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal service funds are never reported as major funds, but are combined and presented in a separate column: Other Governmental Funds.

Major funds as identified in the Governmental Funds Statement are: 1) General Fund; 2) Retirement Fund; and 3) Building Fund.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CONDENSED FINANCIAL INFORMATION

The following analysis is provided 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, where available, is shown to illustrate trends, problems, and achievement of the District's goals.

	<u>2014</u>	<u>2013</u>
<b><u>Net Position:</u></b>		
Current assets	2,542,933	2,375,881
Capital assets - net	7,095,703	7,359,866
Total assets	<u>9,638,636</u>	<u>9,735,747</u>
Current liabilities	593,945	561,716
Non-current liabilities	1,157,623	1,597,092
Total liabilities	<u>1,751,568</u>	<u>2,158,808</u>
Net position:		
Net investment in capital assets	5,750,703	5,599,866
Restricted for:		
Compensated absences	12,472	16,589
Other fund activities	932,438	765,976
Debt Service	128,829	131,912
Capital Projects	611,290	625,250
Unrestricted	451,336	437,346
Total net position	<u>7,887,068</u>	<u>7,576,939</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CONDENSED STATEMENT OF ACTIVITIES

### Revenues:

#### Program revenues:

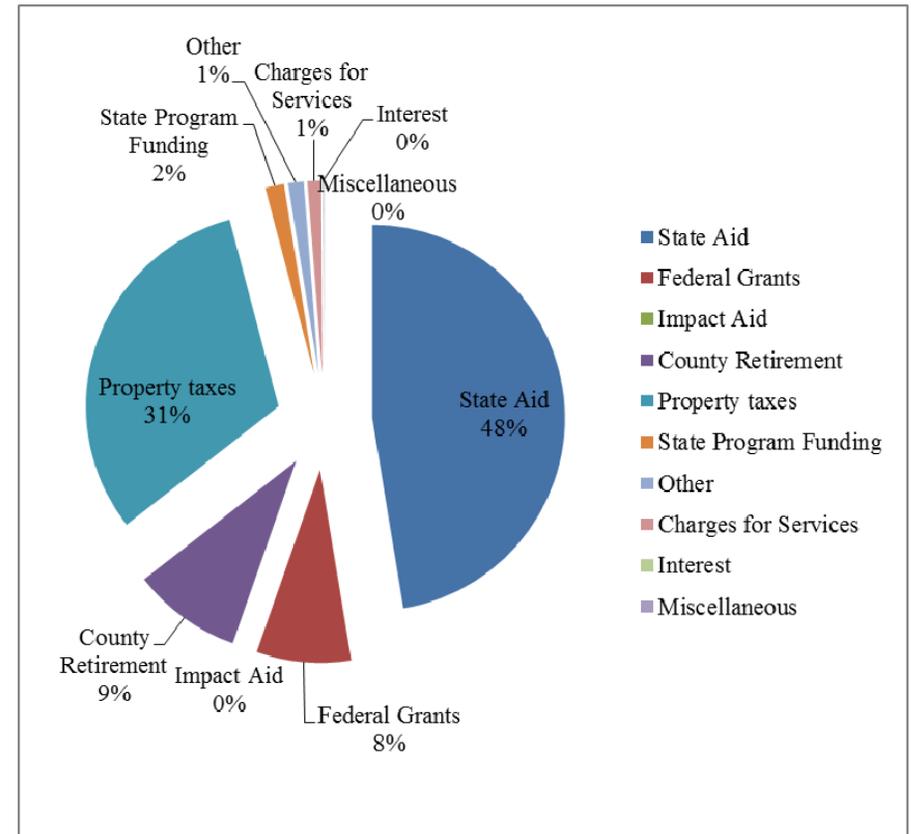
	2014	2013
Charges for services	77,699	81,098
Federal grants	536,739	520,196
State program funding	106,120	84,569
Other	87,843	59,220
<b>Total program revenues</b>	<b>808,401</b>	<b>745,083</b>

#### General revenues:

Property taxes	2,129,445	2,061,009
County retirement distribution	620,303	601,557
State aid	3,214,018	3,188,337
Interest	1,135	2,251
Miscellaneous	4,797	2,458

#### Special items:

Gain/(Loss) on asset disposal	0	(15,724)
<b>Total general revenues</b>	<b>5,969,698</b>	<b>5,839,888</b>

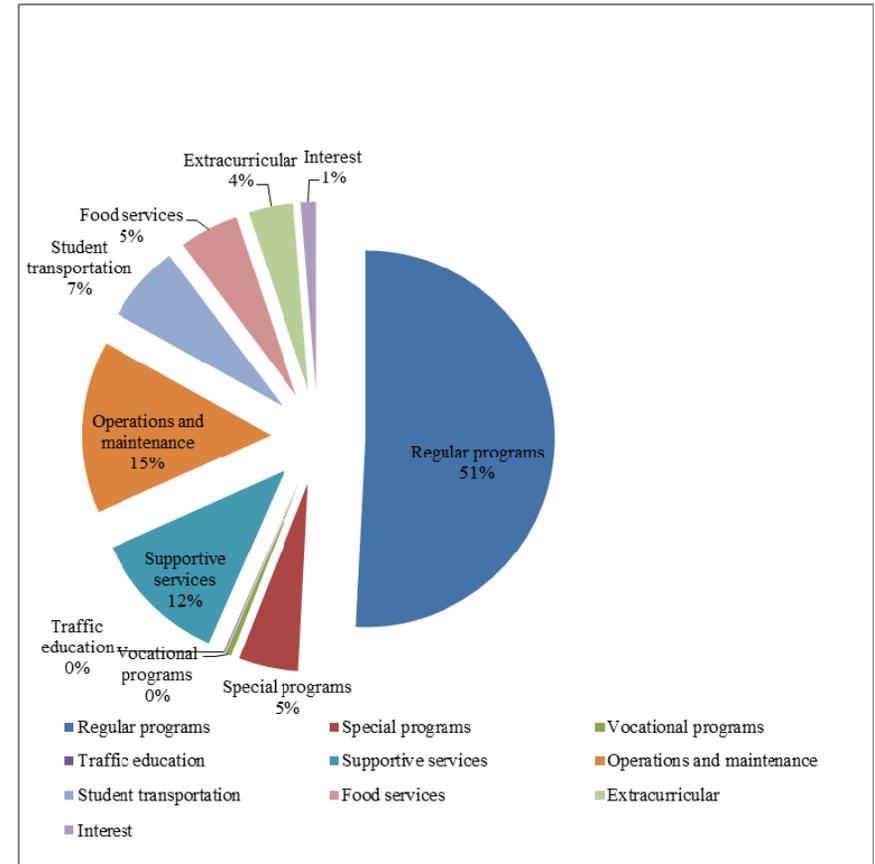


# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CONDENSED STATEMENT OF ACTIVITIES - CONTINUED

### Expenses:

	2014	2013
Regular programs	3,276,304	2,878,148
Special programs	332,700	344,901
Vocational programs	33,455	15,681
Traffic education	7,053	0
Supportive services	754,841	740,418
Operations and maintenance	955,465	998,136
Student transportation	429,292	443,384
Food services	326,606	318,943
Extracurricular	249,287	239,699
Interest	82,967	97,465
Total expenses.	<u>6,447,970</u>	<u>6,076,775</u>



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CURRENT YEAR RESULTS IN COMPARISON WITH PRIOR YEAR AND ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

This section is an analysis of the District's financial activities using information from the district-wide financial statements. It is a discussion of the current year results in comparison with the prior year, with emphasis on the current year.

The District's total revenues for the fiscal year ending June 30, 2014 increased \$193,128. The total cost of all programs and services increased 371,195, which generated an increase of net position of \$330,129 more than fiscal year 2013. District taxpayers paid approximately \$2 million of the \$6.8 million in revenues. The remainder was financed through charges for services, operating grants and contributions, capital grants and contributions, other county, state, and federal revenues, loss on sale of asset, and investment earnings.

### ANALYSIS OF FUND BALANCES / NET POSITION

The majority of Fund Balance in all funds is directly related to the Fund Reserves in each of the budgeted funds.

### BUDGET TO ACTUAL VARIANCES

There were no known variances in budget to actual in Fiscal Year 14.

### CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: As of June 30, 2014, the District had invested \$7.09 million in capital assets including land, buildings, construction in progress and machinery and equipment.

Debt Administration: At June 30, 2014, the District had \$1,345,000 in general obligation bonds and other long-term debt outstanding, of which \$481,365, principal and interest, is due within one year.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### KNOWN IMPACTS ON FUTURE FINANCIAL POSITION AND/OR RESULTS OF OPERATIONS

The overall financial picture for the district should improve as the General Obligation Bonds are repaid. The Board of Trustees refinanced those Bonds during FY 2005 due to a decrease in interest rates. Declining enrollment will continue to negatively impact the budgeting capacity of the district.

### CONTACT FOR FURTHER INFORMATION

If you have questions about this report or need additional information, contact the Superintendent or the Business Manager at the Malta Public Schools, PO Box 670, Malta, MT 59538, 406-654-1871.

## INDEPENDENT AUDITOR'S REPORT

February 20, 2015

Board of Trustees  
Malta Public School District 14A  
Phillips County  
Malta, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Malta Public School District 14A, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Malta Public School District 14A's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Malta Public School District 14A's 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 Malta Public School District 14A, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Malta Public School District 14A's basic financial statements. The student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards 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 student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards 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 February 20, 2015 on our consideration of Malta Public School District 14A's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Malta Public School District 14A's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP  
Billings, Montana

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## BASIC FINANCIAL STATEMENTS

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### Government-Wide Financial Statements

#### STATEMENT OF NET POSITION

June 30, 2014

<b>ASSETS:</b>	
Cash and Equivalents	2,343,784
Taxes Receivable	186,791
Inventories	12,358
Capital Assets:	
Non Depreciable Assets	242,026
Other Capital Assets, net of depreciation	6,853,677
Total Capital Assets	<u>7,095,703</u>
Total Assets	<u>9,638,636</u>
<b>LIABILITIES:</b>	
Accounts Payable and Accrued Expenses	163,945
Long-term Liabilities:	
Due within one year:	
Bond Payable	430,000
Due in more than one year:	
Bond Payable	915,000
Compensated Absences	213,464
Other Postemployment Benefits	29,159
Total Liabilities	<u>1,751,568</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	5,750,703
Restricted for:	
Compensated absences	12,472
Other fund activities	932,438
Debt service	128,829
Capital projects	611,290
Unrestricted	451,336
Total Net Position	<u>7,887,068</u>

The accompanying notes are an integral part of these financial statements.

## BASIC FINANCIAL STATEMENTS

### STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2014

	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants	Revenue 2014
<b>Primary government</b>				
Instruction:				
Regular Programs	3,276,304	0	367,801	(2,908,503)
Special Programs	332,700	0	0	(332,700)
Vocational Programs	33,455	0	0	(33,455)
Traffic Education	7,053	2,700	3,229	(1,124)
Supporting Services	754,841	0	0	(754,841)
Operations & Maintenance	955,465	0	0	(955,465)
Student Transportation	429,292	0	189,163	(240,129)
Food Services	326,606	74,999	170,509	(81,098)
Extracurricular	249,287	0	0	(249,287)
Interest on Long-term debt	82,967	0	0	(82,967)
Total governmental activities	<u>6,447,970</u>	<u>77,699</u>	<u>730,702</u>	<u>(5,639,569)</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes				2,129,445
County Retirement Distribution				620,303
State Aid				3,214,018
Interest				1,135
Miscellaneous				4,797
Total general revenues				<u>5,969,698</u>
Change in net position				<u>330,129</u>
Net position - beginning				<u>7,576,939</u>
Prior period adjustment				<u>(20,000)</u>
Net position - beginning, as restated				<u>7,556,939</u>
Net position - ending				<u>7,887,068</u>

The accompanying notes are an integral part of these financial statements.

# BASIC FINANCIAL STATEMENTS

## Fund Financial Statements

### BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund			Total General Fund	Retirement	Building	Other Governmental Funds	Total Governmental Funds
	General Fund	Metal Mines	Flex					
<b>ASSETS</b>								
Cash and cash equivalents	660,366	23,034	55,009	738,409	308,187	611,290	685,898	2,343,784
Taxes receivable, net	119,495	0	0	119,495	0	0	67,296	186,791
Inventories	0	0	0	0	0	0	12,358	12,358
Total assets	<u>779,861</u>	<u>23,034</u>	<u>55,009</u>	<u>857,904</u>	<u>308,187</u>	<u>611,290</u>	<u>765,552</u>	<u>2,542,933</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Other payables	146,478	17,467	0	163,945	0	0	0	163,945
Total liabilities	<u>146,478</u>	<u>17,467</u>	<u>0</u>	<u>163,945</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>163,945</u>
Deferred inflow of resources:								
Unavailable tax revenue	119,495	0	0	119,495	0	0	67,296	186,791
Total deferred inflow of resources	<u>119,495</u>	<u>0</u>	<u>0</u>	<u>119,495</u>	<u>0</u>	<u>0</u>	<u>67,296</u>	<u>186,791</u>
Fund balances:								
Nonspendable								
Inventory	0	0	0	0	0	0	12,358	12,358
Restricted for:								
Compensated Absences	0	0	0	0	0	0	12,472	12,472
Other fund activities	0	0	0	0	308,187	0	580,746	888,933
Debt service	0	0	0	0	0	0	92,680	92,680
Capital projects funds	0	0	0	0	0	611,290	0	611,290
Unassigned	513,888	5,567	55,009	574,464	0	0	0	574,464
Total fund balances	<u>513,888</u>	<u>5,567</u>	<u>55,009</u>	<u>574,464</u>	<u>308,187</u>	<u>611,290</u>	<u>698,256</u>	<u>2,192,197</u>
Total liabilities, deferred inflow of resources and fund balances	<u>779,861</u>	<u>23,034</u>	<u>55,009</u>	<u>857,904</u>	<u>308,187</u>	<u>611,290</u>	<u>765,552</u>	<u>2,542,933</u>

The accompanying notes are an integral part of these financial statements.

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## BASIC FINANCIAL STATEMENTS

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### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT - WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	2,192,197
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	7,095,703
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Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	186,791
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Some liabilities, (such as Notes Payable, Capital Lease Payable, Compensated Absences, and Bonds Payable), are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(1,587,623)</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u><u>7,887,068</u></u>
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The accompanying notes are an integral part of these financial statements.

## BASIC FINANCIAL STATEMENTS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund			Total General Fund	Retirement	Building	Other Governmental Funds	Total Governmental Funds
	General Fund	Metal Mines	Flex					
<b>REVENUES</b>								
Property Taxes for General Purposes	1,267,268	0	0	1,267,268	0	0	866,561	2,133,829
Intergovernmental:								
County	0	0	0	0	620,303	0	87,843	708,146
State	2,831,946	0	18,034	2,849,980	0	0	470,159	3,320,139
Federal	0	0	0	0	0	0	536,739	536,739
Interest on Investments	0	33	8	41	0	860	234	1,135
Food Services	0	0	0	0	0	0	77,699	77,699
Other	0	0	0	0	0	0	4,797	4,797
<b>Total revenues</b>	<b>4,099,214</b>	<b>33</b>	<b>18,042</b>	<b>4,117,289</b>	<b>620,303</b>	<b>860</b>	<b>2,044,032</b>	<b>6,782,484</b>
<b>EXPENDITURES</b>								
Current:								
Instruction	2,487,855	0	0	2,487,855	520,127	0	595,909	3,603,891
Supporting Services	606,105	0	0	606,105	70,786	0	79,280	756,171
Operations and Maintenance	653,123	0	0	653,123	32,491	0	16,763	702,377
Student Transportation	64,552	0	0	64,552	0	0	332,076	396,628
Food Services	67,666	0	0	67,666	11,726	0	247,214	326,606
Extracurricular	201,274	17,467	0	218,741	18,499	0	0	237,240
Capital Outlay	0	0	10,334	10,334	0	14,820	82,243	107,397
Debt Service	0	0	0	0	0	0	497,967	497,967
<b>Total Expenditures</b>	<b>4,080,575</b>	<b>17,467</b>	<b>10,334</b>	<b>4,108,376</b>	<b>653,629</b>	<b>14,820</b>	<b>1,851,452</b>	<b>6,628,277</b>
Excess (deficiency) of revenues over expenditures	18,639	(17,434)	7,708	8,913	(33,326)	(13,960)	192,580	154,207
Fund balances - beginning	495,249	23,001	47,301	565,551	341,513	625,250	505,676	2,037,990
Fund balances - ending	513,888	5,567	55,009	574,464	308,187	611,290	698,256	2,192,197

The accompanying notes are an integral part of these financial statements.

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## BASIC FINANCIAL STATEMENTS

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### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENT - WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	154,207
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(351,560)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(4,384)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:	
Capital outlays, not including capital assets under leases	107,397
Principal payments on debt	415,000
Compensated absence expense	37,463
Other postemployment benefits	(27,994)
Change in net position of governmental activities	<u>330,129</u>

The accompanying notes are an integral part of these financial statements.

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## BASIC FINANCIAL STATEMENTS

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### STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	STUDENT EXTRACURRICULAR FUND	SCHOLARSHIPS
FIDUCIARY NET POSITION		
Assets:		
Cash	195,169	5,090
Total Assets	<u>195,169</u>	<u>5,090</u>
Net Position:		
Held in Trust for Student Activities	195,169	0
Reserved for scholarship	0	5,090
Total Net Position	<u><u>195,169</u></u>	<u><u>5,090</u></u>
CHANGES IN FIDUCIARY NET POSITION		
Additions		
Revenue from Student Activities	272,575	0
Interest	39	32
Total Additions	<u>272,614</u>	<u>32</u>
Deductions		
Expenses for Student Activities	218,922	0
Scholarship	0	300
Total Deductions	<u>218,922</u>	<u>300</u>
Change in Net Position Held in Trust	53,692	(268)
Net Position, Beginning of Year	<u>141,477</u>	<u>5,358</u>
Net Position, End of Year	<u><u>195,169</u></u>	<u><u>5,090</u></u>

The accompanying notes are an integral part of these financial statements.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

#### Note A Description of the School District and Reporting Entity

##### 1 Reporting Entity

Malta Public School District 14A was established under Montana law to provide educational services below the college and university level to residents of the District. The District is managed by one central Board of Trustees, elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Phillips County provides substantial services to the District; tax billings, cash collections, debt payments and warrant redemption all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Phillips County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the Student Extracurricular and Scholarship Funds.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note B Summary Of Significant Accounting Policies

The financial statements of Malta Public School District 14A have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

#### 1 Basis of Presentation

##### a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the extracurricular and scholarship funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students and the scholarship fund, which account for scholarship activity, are reported as private purpose trust funds in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

##### b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

#### 2 Governmental Funds

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for and reported in another fund. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

**Metal Mines Fund** - Authorized by Section 20-9-231, MCA, for the purpose of accounting for revenues collected under Section 15-37-117(1) MCA, and 7-6-2225, MCA related to hard rock mining. Money may be expended from this fund for any purpose provided by law.

**Flex Fund** - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The flex fund is funded by a state grant and voted levy.

The General Fund has been blended with the Metal Mines Fund and the Flex Fund on the governmental fund financial statements for financial reporting purposes under GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Retirement Fund** - The Retirement Fund is authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation and Social Security. The Retirement Fund is funded by a countywide levy for retirement.

**Building Fund** - The Building fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The Fund is also used to account for insurance proceeds for damaged property as provided by 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 3 Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

#### 4 Basis of Accounting and Measurement Focus

##### a. Government-Wide Financial Statements

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

##### b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable revenues as deferred inflows of resources and advances from grantors as a liability on its balance sheet - governmental funds. Unavailable revenues arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Unavailable revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the deferred inflow of resources for unavailable revenue and liability for advances from grantors are removed from the balance sheet and revenue is recognized. Unavailable revenues are not reflected in the government-wide Statement of Net Position as these amounts are recognized under the accrual basis of accounting. Advances from grantors are reflected as a liability on the government-wide Statement of Net Position.

#### 5 Cash and Investments

Cash resources of the District for all funds other than the Extracurricular and Scholarship Funds, are combined with cash resources of other school districts within Phillips County to form a pool of cash and cash equivalents that is managed by the Phillips County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district's previous month's ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund's previous month's ending balance cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The cash and warrants payable in the payroll and claims clearing accounts are as follows:

	<u>Payroll Clearing</u>	<u>Claims Clearing</u>
Cash	<u>260,521</u>	<u>119,610</u>
Warrants payable	<u>260,521</u>	<u>119,610</u>

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular Fund cash of \$169,428 and \$26,453 at June 30, 2014 is held at First State Bank of Malta and First Security Bank of Malta, respectively. The accounts are insured by the FDIC up to \$250,000.

## 6 Capital Assets

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

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

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-85 Years
Improvements Other than Buildings	20-25 Years
Machinery and Equipment	5-50 Years

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 7 **Compensated Absences**

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement.

#### 8 **Deferred Inflow of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

#### 9 **Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

**Nonspendable** - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

**Restricted** - Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

**Committed** - Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

**Assigned** - Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

**Unassigned** - The residual classification for the government's general fund that includes all amounts that are not contained in the other classifications.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

#### 10 Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### 11 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 12 Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through February 20, 2015, the date the financial statements were available to be issued.

#### Note C Property Taxes

Property taxes are collected by Phillips County who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Phillips County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Phillips County.

All property taxes are recognized in compliance with GASB Interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note D Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>June 30, 2013</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:					
Land Improvements	231,105	0	0	0	231,105
Buildings and Improvements	11,218,188	0	14,820	0	11,233,008
Machinery and Equipment	829,691	(20,000)	92,577	0	902,268
	<u>12,278,984</u>	<u>(20,000)</u>	<u>107,397</u>	<u>0</u>	<u>12,366,381</u>
OTHER CAPITAL ASSETS:					
Land	242,026	0	0	0	242,026
	<u>242,026</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>242,026</u>
Total	<u>12,521,010</u>	<u>(20,000)</u>	<u>107,397</u>	<u>0</u>	<u>12,608,407</u>
LESS ACCUMULATED DEPRECIATION FOR:					
Land Improvements	171,285	0	11,301	0	182,586
Buildings and Improvements	4,546,267	0	238,253	0	4,784,520
Machinery and Equipment	443,592	0	102,006	0	545,598
Total accumulated depreciation	<u>5,161,144</u>	<u>0</u>	<u>351,560</u>	<u>0</u>	<u>5,512,704</u>
Total	<u>7,359,866</u>				<u>7,095,703</u>

## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

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

Instruction	50,355
Financial Administration	3,405
Operations and Maintenance	253,088
Extracurricular	32,664
Transportation	12,048
	<u>351,560</u>

#### Note E Long-Term Debt

In fiscal year 2005, The District issued two general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation bonds are direct obligations and pledge the full faith and credit of the District. The summary of activity in bonds payable, including current maturities is as follows:

<u>General Obligation Bonds:</u>	<u>Bonds Payable</u> <u>July 01, 2013</u>	<u>Debt Principal</u> <u>Retired</u>	<u>Bonds Payable</u> <u>June 30, 2014</u>
Elementary 2005 General Obligation Refunding Bond issue, variable interest rate 3.5% - 4.1%, original issue of \$1,550,000, final maturity on July 1, 2017	590,000	140,000	450,000
High School 2005 General Obligation Refunding Bond issue, variable interest rate 3.5% - 4.1%, original issue of \$3,080,000, final maturity on July 1, 2017	<u>1,170,000</u>	<u>275,000</u>	<u>895,000</u>
	<u>1,760,000</u>	<u>415,000</u>	<u>1,345,000</u>

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

At June 30, 2014, the annual cash flow requirements for retirement of bond principal are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	430,000	51,365	481,365
2016	450,000	37,065	487,065
2017	<u>465,000</u>	<u>19,065</u>	<u>484,065</u>
Total	<u><u>1,345,000</u></u>	<u><u>107,495</u></u>	<u><u>1,452,495</u></u>

The District is subject to Montana Code Annotated which limits the amount of indebtedness by the issuance of bonds to the greater of:

1. 50% of the taxable value of property subject to taxation by the District as ascertained by the last assessment for property taxes, or
2. 50% of the statewide Facility Guaranteed Mill Value per ANB multiplied by 1,000, multiplied by the number of students enrolled in a particular district (based on the current year average number of students belonging "ANB").

As of June 30, 2014 the statutory debt limit for the District was as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Combined</u>
Statutory debt limit	5,922,280	7,221,120	13,143,400
Outstanding debt	<u>(450,000)</u>	<u>(895,000)</u>	<u>(1,345,000)</u>
Remaining debt capacity	<u><u>5,472,280</u></u>	<u><u>6,326,120</u></u>	<u><u>11,798,400</u></u>

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Total Change</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>	<u>Long Term</u>
Compensation Absences Payable	250,927	(37,463)	213,464	0	213,464
Bonds Payable	1,760,000	(415,000)	1,345,000	430,000	915,000
Other Post-Employment Benefits	<u>1,165</u>	<u>27,994</u>	<u>29,159</u>	<u>0</u>	<u>29,159</u>
Total	<u>2,012,092</u>	<u>(424,469)</u>	<u>1,587,623</u>	<u>430,000</u>	<u>1,157,623</u>

The compensated absences liability will be liquidated by several of the governmental funds.

The bonds payable liability will be liquidated by the Debt Service Fund.

#### Note F Employee Benefit Plans

##### 1 Plan Description and Provisions

All full-time District employees participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$3,133,348.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$36,373 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$36,839 (7.90% of eligible payroll). Total payroll for employees covered by PERS was \$466,319. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$73,212, \$60,510, and \$54,349 for the fiscal years ending June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$205,799 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution represented less than one percent of total contributions required of all participating employers. Required employee contributions to this plan were \$197,143 (8.15% of eligible payroll). Total payroll for teaching employees was \$2,428,233. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$402,942, \$360,154, and \$388,187 for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E. Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

#### Note G Risk Management

The District faces a considerable number of risks 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. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Workers compensation insurance is provided through the State Fund. Employee medical insurance is provided through Blue Cross/Blue Shield of Montana. The District does not carry separate coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

#### Note H Non-Monetary Transactions

The District received \$16,699 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### Note I Other Post-Employment Benefits (OPEB)

##### 1. Other Postemployment Benefits

The District provides continuation of medical coverage to its retiring employees. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the District's health insurance as a retiree until age 65 or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the District's active employees. There are several Retirement Incentive Programs agreements where the District will contribute a cap amount on behalf of the retiree if they have met the years of service agreement. Other postemployment benefits arises from these contributions and the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. As required GASB Cod. P50.101-134, the District has calculated and reported a postemployment benefit liability.

##### 2. Plan Description

The District's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Montana Schools Health & Welfare Plans (MSHWP). MSHWP provides medical and prescription drug insurance benefits along with dental and vision insurance benefits to eligible retirees and their eligible dependents.

##### 3. Funding Policy

The contribution requirement of plan members is established by the District's insurance committee in conjunction with our insurance provider. The required contribution is based on projected pay-as-you-go financing requirements.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 4. Annual OPEB Cost and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost 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 District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

Normal Cost	39,080
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	1,018,684
Interest to 6/30/14	0
Annual OPEB Cost (expense)	<u>1,057,764</u>
Interest on Net OPEB Obligation	0
Contributions Made	57,514
ARC Adjustment	<u>(1,087,284)</u>
Increase in net OPEB Obligation	27,994
Net OPEB Obligation - 7/1/13	<u>1,165</u>
Net OPEB Obligation - 6/30/14	<u><u>29,159</u></u>

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 5. Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	80,372	0.0%	80,372
June 30, 2012	80,372	0.0%	160,744
June 30, 2013	(159,579)	0.0%	1,165
June 30, 2014	27,994	0.0%	29,159

#### 6. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,018,684. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$2,894,552 and the ratio of the UAAL to the covered payroll was 35.2%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

#### 7. Actuarial Methods and Assumptions

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

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

#### Note J Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

#### Note K Prior Period Adjustment

During the year ended June 30, 2014, it was discovered that the District's fixed assets were overstated by \$20,000 due to the capitalization of an asset that should not have been capitalized. The related accumulated depreciation associated with this fixed asset was determined to be \$0 resulting in a net decrease of net position of \$20,000. As fixed assets are only recorded on the government-wide statements, a prior period adjustment was recorded to adjust beginning net position on the Statement of Activities.

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REQUIRED SUPPLEMENTAL INFORMATION

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Malta Public School District 14A

Phillips County

Malta, Montana

June 30, 2014

## REQUIRED SUPPLEMENTAL INFORMATION

### BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	GENERAL FUND		FLEX FUND		RETIREMENT FUND	
	ORIGINAL AND FINAL		ORIGINAL AND FINAL		ORIGINAL AND FINAL	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>REVENUES</b>						
Taxes	1,251,329	1,267,268	0	0	0	0
Intergovernmental revenues						
Federal	1,261	0	0	0	620,303	620,303
State	2,830,685	2,831,946	34,554	18,034	0	0
Other revenue	0	0	25,000	0	0	0
Total revenues before reappropriations	<u>4,083,275</u>	<u>4,099,214</u>	<u>59,554</u>	<u>18,042</u>	<u>620,303</u>	<u>620,303</u>
Budgeted reappropriations	0		47,302		181,210	
Total revenues and reappropriations	<u>4,083,275</u>		<u>106,856</u>		<u>801,513</u>	
<b>EXPENDITURES</b>						
Current:						
Instruction	4,083,275	2,487,855	0	0	801,513	520,127
Supporting services	0	606,105	0	0	0	70,786
Operations and maintenance	0	653,123	0	0	0	32,491
Student transportation	0	64,552	0	0	0	0
Food services	0	67,666	0	0	0	11,726
Extracurricular	0	201,274	0	0	0	18,499
Capital outlay	0	0	106,856	10,334	0	0
Total expenditures	<u>4,083,275</u>	<u>4,080,575</u>	<u>106,856</u>	<u>10,334</u>	<u>801,513</u>	<u>653,629</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>18,639</u>	<u>0</u>	<u>7,708</u>	<u>0</u>	<u>(33,326)</u>
Fund balances, beginning (Non-GAAP budgetary basis)		495,249		47,301		341,513
Fund balances, ending (Non-GAAP budgetary basis)		513,888		55,009		308,187
Adjustments to generally accepted accounting principles						
Current year encumbrances included in expenditures		0		0		0
Fund balances, ending (GAAP basis)		<u>513,888</u>		<u>55,009</u>		<u>308,187</u>

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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

#### 1 Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
<b>Governmental Funds</b>		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Lease-Rental Ageement		X
Compensated Absences		X
Technology	X	
Flex Fund	X	
Metal Mines		X
Building	X	
Debt Service	X	
<b>Fiduciary Funds</b>		
Extracurricular		X
Scholarship		X
Payroll Clearing		X
Claims Clearing		X

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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

#### 2 Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

##### a. Budgetary policy follows:

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
- 3) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.
- 4) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 5) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances have been reported as either Assigned or Committed fund balance of the Balance Sheet - Governmental Funds. Because inclusion of these obligations is required for budgetary purposes they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

## REQUIRED SUPPLEMENTAL INFORMATION

### SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended June 30, 2014

The year ended June 30, 2010 was the year of transition for GASB Statement No. 45 therefore, the requirements of GASB Statement No. 45 have been implemented prospectively. Hence, the below illustration does not reflect similar information respective of the years preceding June 30, 2010. The annual OPEB costs, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2014, 2013, 2012, and 2011 for the District's other postemployment benefits are as follows:

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	(a) Actuarial Value of assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a / b) Funded Ratio	(c) Covered Payroll	[(b - a) / c] UAAL as a Percentage of Covered Payroll
Retiree Health Plan	06/30/11	\$ -	\$ 706,629	\$ 706,629	0.0%	\$ 3,098,923	22.8%
	06/30/12	\$ -	\$ 706,629	\$ 706,629	0.0%	\$ 3,098,923	22.8%
	06/30/13	\$ -	\$ 970,936	\$ 970,936	0.0%	\$ 3,110,496	31.2%
	06/30/14	\$ -	\$ 1,018,684	\$ 1,018,684	0.0%	\$ 2,894,552	35.2%

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**SUPPLEMENTAL INFORMATION**

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Malta Public School District 14A

Phillips County

Malta, Montana

June 30, 2014

## SUPPLEMENTAL INFORMATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Title VI, Rural Education, Part B	84.058	37,076
		<u>37,076</u>
Passed through Montana Office of Public Instruction		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	189,392
Total Title I, Part A Cluster		<u>189,392</u>
Special Education Cluster		
IDEA, Part B	84.027	81,044
IDEA, Preschool	84.173	5,650
Total Special Education Cluster		<u>86,694</u>
Career and Technical Education - Basic Grants to States	84.048	7,994
Title II, Part A	84.367	34,373
		<u>42,367</u>
Total Department of Education		<u>355,529</u>
U.S. Department of Agriculture		
Passed through the Montana Office of Public Instruction		
Child Nutrition Cluster		
Cash Assistance		
National School Lunch Program	10.555	152,239
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	16,699
Total Child Nutrition Cluster		<u>168,938</u>
Fresh Fruits and Vegetables	10.582	12,272
Total U.S. Department of Agriculture		<u>181,210</u>
Total Federal Financial Assistance		<u>536,739</u>

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## SUPPLEMENTAL INFORMATION

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### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

#### Note A Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Malta Public School District 14A and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

#### Note B Nonmonetary Transactions

The District received \$16,699 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

## SUPPLEMENTAL INFORMATION

### STUDENT EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

Student Activity	Balance 7/1/13	Disbursements	Receipts	Transfers	Balance 6/30/14
Activity Cart	597	0	0	0	597
Advanced Placement	418	1,251	1,093	0	260
Annual	4,401	1,817	5,072	0	7,656
Art	(61)	0	0	0	(61)
Athletics	10,698	68,773	84,102	(294)	25,733
Certificate of Deposit	7,787	0	39	0	7,826
Band	1,929	14,786	11,862	1,599	604
Book Fair	7,300	3,673	4,167	0	7,794
Book Fines	1,821	0	227	0	2,048
Boys and Girls State	135	0	730	0	865
BPA	0	80	145	0	65
JH Builders Club	1,562	488	568	0	1,642
Calculators	(24)	0	0	0	(24)
Cheerleaders	612	1,091	1,149	0	670
Chorus	2,021	310	240	0	1,951
Class of 2012	599	0	0	0	599
Class of 2013	130	0	0	0	130
Class of 2014	4,319	1,516	1,359	0	4,162
Class of 2015	5	708	2,076	1,997	3,370
Class of 2016	425	40	266	893	1,544
Class of 2017	0	28	279	1,854	2,105
Close-Up	377	0	5,140	0	5,517
Concessions/Equip	4,360	0	0	0	4,360
Concessions-Football	301	2,824	3,495	(442)	530
Subtotal	49,712	97,385	122,009	5,607	79,943

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**SUPPLEMENTAL INFORMATION**

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**STUDENT EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN NET POSITION - CONTINUED**

For the Year Ended June 30, 2014

<u>Student Activity</u>	<u>Balance 7/1/13</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Transfers</u>	<u>Balance 6/30/14</u>
Balance from previous page	49,712	97,385	122,009	5,607	79,943
Concessions-Basketball	(101)	9,045	26,266	(17,979)	(859)
District 2B	0	100	1,100	200	1,200
Drama	74	741	277	0	(390)
FFA	3,824	25,136	25,542	520	4,750
FCCLA	9,524	14,593	14,117	3,814	12,862
Football	326	775	1,095	0	646
Guidance	53	0	0	0	53
Home Economics	436	1,731	1,751	0	456
Hoby Leadership	50	150	150	0	50
JOBS-Montana Graduates	479	182	95	0	392
Key Club	6,616	6,926	2,924	4,596	7,210
National Honor Society	332	182	135	0	285
M/M Conditioning	(19)	907	977	0	51
Metals	624	246	1,500	0	1,878
Reimbursement	(1)	1,130	1,131	0	0
Resource Room	1,364	432	0	0	932
Science	14	390	390	0	14
Speech	1,466	3,928	4,349	(10)	1,877
JH Crafts	0	91	166	0	75
Student Council	4,460	5,098	2,103	3,252	4,717
School Fund	823	50	994	0	1,767
Tournament Fund	11,338	20,373	24,387	0	15,352
Tournament Savings	284	0	0	0	284
Volleyball	0	0	256	0	256
Subtotal	<u>91,678</u>	<u>189,591</u>	<u>231,714</u>	<u>0</u>	<u>133,801</u>

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## SUPPLEMENTAL INFORMATION

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### STUDENT EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2014

<u>Student Activity</u>	<u>Balance 7/1/13</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Transfers</u>	<u>Balance 6/30/14</u>
Balance from previous page	91,678	189,591	231,714	0	133,801
Wood Shop	(244)	0	244	0	0
JH Athletics	3,996	4,323	4,624	0	4,297
JH Student Council	3,058	5,577	6,984	0	4,465
JH Music Festival	541	1,381	1,406	0	566
JH Drama	187	361	321	0	147
Elementary Student Activities	42,261	17,689	27,321	0	51,893
Total	<u>141,477</u>	<u>218,922</u>	<u>272,614</u>	<u>0</u>	<u>195,169</u>

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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

Grade	Fall		Winter		Spring	
	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record
K-5	219	219	222	222	224	224
6-8	113	113	114	114	115	115
9-12	161	161	159	159	152	152
Totals	493	493	495	495	491	491

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

February 20, 2015

Board of Trustees  
Malta Public School District 14A  
Malta, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Malta Public School District 14A as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Malta Public School District 14A's basic financial statements, and have issued our report thereon dated February 20, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Malta Public School District 14A'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 Malta Public School District 14A's internal control. Accordingly, we do not express an opinion on the effectiveness of Malta Public School District 14A'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

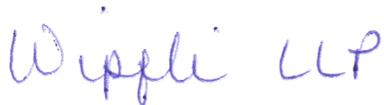
As part of obtaining reasonable assurance about whether Malta Public School District 14A's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Malta Public School District 14A 's Response to Findings**

Malta Public School District 14A's response to the finding identified in our audit is described in the accompanying corrective action plan. Malta Public School District 14A 's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

### **Purpose of this Report**

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



Wipfli LLP  
Billings, Montana

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

February 20, 2015

Board of Trustees  
Malta Public School District 14A  
Malta, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Malta Public School District 14A's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Malta Public School District 14A's major federal programs for the year ended June 30, 2014. Malta Public School District 14A's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Malta Public School District 14A's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Malta Public School District 14A's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Malta Public School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Malta Public School District 14A complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of Malta Public School District 14A is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Malta Public School District 14A's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Malta Public School District 14A's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

Malta Public School District 14A's responses to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Malta Public School District 14A's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP  
Billings, Montana

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2014

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified that are not considered to be material weaknesses?       X       Yes \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X       No

**Federal Awards**

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified that are not considered to be material weaknesses?       X       Yes \_\_\_\_\_ No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes       X       No

**Identification of Major Programs:**

**CFDA Number(s)**

10.553, 10.555, 10.556, 10.559

**Name of Federal Program or Cluster**

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes       X       No

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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### Section II - Financial Statement Findings

2014-001      Inclusion of accounts and/or activities in extracurricular account for purposes other than pupil extracurricular functions.

Criteria or Specific Requirement: MCA 20-9-504 allows for an extracurricular fund to be established for the purposes of receiving and expending money collected for pupil extracurricular functions. MCA 20-9-504(2)(a) requires an accounting system recommended by the superintendent of public instruction be implemented which must provide for the internal control over the cash receipts and expenditures of the money. The superintendent of public instruction has recommended the policies and procedures be followed that are established in the Student Activity Fund Accounting Manual, published by MASBO.

The Student Activity Fund Accounting Manual provides a detailed list of types of items that should not be deposited into the student extracurricular fund. This list includes such things as Booster Clubs and Parent-Teacher Organization funds and book fines and lost school equipment.

Condition: The District's extracurricular fund contains accounts which are not for recognized student body organizations or activities, and for which students are not involved in the decision-making process for the use of the funds.

Context: Through review of the student extracurricular fund accounts, we noted numerous accounts that do not meet the criteria to be accounted for in the extracurricular fund as they are not used for the exclusive purpose of student activities or student assessments.

Cause: The practice of accounting for these various activities in this manner has existed for many years, through several fund custodians.

Effect: Adequate controls may not be in place over the fund as there is not a clear group with an advisor and student involvement looking over the inflows and outflows of each account which collectively comprises the balance of the student extracurricular checking account.

### Section III - Federal Award Findings and Questioned Costs

2014-002 Internal controls over free/reduced meals applications.

Funding Agency: United States Department of Agriculture

Title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555, 10.556, 10.559

Criteria or Specific Requirement: 7 CFR section 210.8(a) requires "the school food authority to establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly claim reimbursement."

Condition: The district's internal controls over school food reporting were not sufficient to catch an under reporting of free and reduced meals provided.

Context: The May 2014 report to the Montana Office of Public Instruction for free/reduced meals omitted high school breakfast meal data.

Questioned Cost: N/A

Cause: The controls in place to monitor school meal counts to the state funding agency were not sufficient to catch the error in reporting.

Effect: The district was not fully reimbursed for meals provided to students for free or reduced meals.

### Section IV - Summary Schedule of Prior Audit Findings

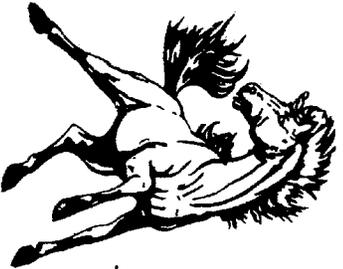
2013-001 – Restated as 2014-001

2013-002 – Implemented

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2013-003 – Implemented

2013-004 – Restated as 2014-002.



# Malta Public Schools

*"Home of the Mustangs & M-Gttes"*

*"A Tradition of Excellence"*

February 19, 2015

**SUPERINTENDENT**  
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Wipfli/Galusha Higgins & Galusha  
303 N 28<sup>th</sup> Street  
Suite 503  
Billings, MT 59101

Dear Sirs:

Please accept this letter as our response to the audit findings.

**2014-001**

Inclusion of accounts and/or activities in extracurricular account for purposes other than pupil extracurricular functions.

**Condition:**

The District's extracurricular fund contains accounts which are not for recognized student body organizations or activities, and for which students are not involved in the decision-making process for the use of the funds.

**Response:**

As stated in the previous audit response, our plan was to be on the new student accounting system for FY15. However, due to the loss of our server over the summer and the need to retrieve/rebuild information, we were unable to implement changes to the Student Activities account. The District Clerk and the Student Activities Clerk have met and reviewed the student activity accounts for the Middle and High Schools. The District Clerk has also met with the Elementary Student Activity Clerk. A list of those accounts will be given to the three principals for review.

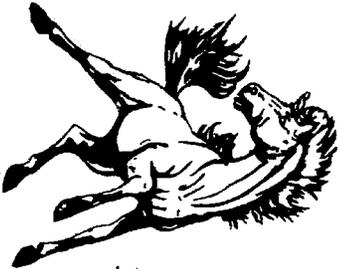
A list of accounts to close or to move to a separate bank account will be presented to the Board of Trustees by the April board meeting. After their approval, the District Clerk and the Student Activity Clerks will begin the process of closing and moving accounts.

The District Clerk is in the process of creating the Student Activities module on the Tyler Tech accounting software. This will include a renumbering of accounts and training for the SA Clerks on how to use the system. The new system will go live at the beginning of the new fiscal year, July 1, 2015 for the Middle and High Schools. The elementary may stay on QuickBooks until connectivity issues are resolved between the Grade School and the High School for the new Student Activity module.

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# Malta Public Schools

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**2014-002**

Internal controls over free/reduced meals reimbursement reports.

Funding Agency: United States Department of Agriculture

Title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555, 10.556, 10.559

Condition:

The district's internal controls over school food reporting were not sufficient to catch an under reporting of free and reduced meals provided.

Response:

A second party review was implemented for the FY14 and future years. Unfortunately, even with this secondary review, one report was overlooked by both parties. This was an oversight and the money has been received by the District. The secondary review remains in place.

Respectfully submitted,

Kris Kuehn  
Superintendent

Jane M Knudsen  
Business Manager/District Clerk