

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**(with Independent Auditor's Reports Thereon)**

**TERRY JAMES BURKE**  
Certified Public Accountant

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

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**OLNEY-BISELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

**Organization**  
June 30, 2014

**Board of Trustees**

Tim Bartholomew ..... Presiding Officer  
Leroy Brooks ..... Trustee  
Jeremy Scott ..... Trustee  
Gregory Zuckert..... Trustee

**Officers/Clerks**

Lona Everett..... Principal  
Teresa Bruce ..... Business Manager/District Clerk  
Marcia M. Sheffels ..... County Superintendent  
Ed Corrigan ..... County Attorney

**TERRY JAMES BURKE**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Olney-Bissell Public School  
Flathead County  
Whitefish, Montana

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olney-Bissell Public School, Flathead County, Whitefish, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

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

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Olney-Bissell Public School, Flathead County, Whitefish, Montana, as of June 30, 2014, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparisons for the General, Transportation, Tuition, and Retirement Funds 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 on pages 4 through 7 and Schedule of Funding Progress – OPEB on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during our audit of the basic financial statements. I 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.

### ***Supplemental and Other Information***

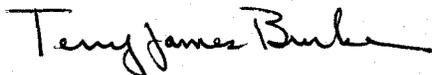
My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the School's basic financial statements. The schedule of school district enrollment on page 28 and the schedule of the student activity on page 29 are supplementary information required by the State of Montana. These schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the schedule of school district enrollment and the schedule of the student activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 12, 2015, on my consideration of School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Olney-Bissell Public School's control over financial reporting and compliance.



May 12, 2015



**Olney-Bissell School District #58**  
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Whitefish, MT 59937-8319

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## **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ending June 30, 2014. Please read it along with the School's financial statements that begin on page 8.

### **Financial Highlights**

The District's financial position has been relatively stable district-wide despite small enrollment decreases. A large part of the financial stability in the District can be tied to the fiscal responsibility, dedication and sacrifices of the District staff. Our continuing philosophy is that successful management of the District resources requires a unified front involving students and staff, administration and trustees, and the community. The Olney-Bissell community continues to strongly support the District with an active parent group and volunteers who donate time and talent.

### **Using this Financial Report**

The general format of this report is required by Statement No.34 of the Governmental Accounting Standards Board (GASB). This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities (pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

Fund financial statements (pages 10 and 11) present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds be disclosed individually in these financial statements. These statements provide detailed information about the District's general, transportation, retirement, and miscellaneous funds, which qualify as major funds. The fund statements report balances and activities of the "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Also attached are summarized financial reports about the student activity and scholarship trust funds, which the District oversees. The budgetary comparison statement on page 13 shows how actual expenditures compared to the original and final budgeted expenditures for the General, Transportation, Tuition, and Retirement Funds.

### **The District as A Whole**

One important question asked by the District's finances is. "Is the District better or worse off as a result of the year's activities?" The change in net assets is primarily due to one-time only state funding received. Total revenues and expenses increased slightly over the prior year.

The information in the government-wide financial statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

District Net Position

Changes in the School's net assets were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 193,957	\$ 230,426	\$ (36,469)	-16%
Capital Assets - Net	<u>330,051</u>	<u>336,379</u>	<u>(6,328)</u>	<u>-2%</u>
Total Assets	<u>524,008</u>	<u>566,805</u>	<u>(42,797)</u>	<u>-8%</u>
Current Liabilities	(4,297)	(6,136)	1,839	-30%
Non-current Liabilities	<u>(21,498)</u>	<u>(16,911)</u>	<u>(4,587)</u>	<u>27%</u>
Total Liabilities	<u>(25,795)</u>	<u>(23,047)</u>	<u>(2,748)</u>	<u>12%</u>
Net Assets	<u>\$ 498,213</u>	<u>\$ 543,758</u>	<u>\$ (45,545)</u>	<u>-8%</u>
Net Assets				
Invested in Capital Assets	330,051	336,379	(6,328)	-2%
Restricted Net Assets	97,842	135,331	(37,489)	-28%
Unrestricted Net Assets	<u>70,320</u>	<u>72,048</u>	<u>(1,728)</u>	<u>-2%</u>
Total Net Assets	<u>\$ 498,213</u>	<u>\$ 543,758</u>	<u>\$ (45,545)</u>	<u>-8%</u>

The changes in Net Position relates primarily to:

- Due from other governments
- Depreciation

Changes in program and general revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
<b>Program Revenues:</b>				
Federal Grants	\$ 127,239	\$ 100,607	\$ 26,632	26%
State Program Funding	22,130	39,663	(17,533)	-44%
County Funding	13,657	14,196	(539)	-4%
Other	<u>9,669</u>	<u>11,117</u>	<u>(1,448)</u>	<u>-</u>
<b>Total Program Revenue</b>	<u>172,695</u>	<u>165,583</u>	<u>7,112</u>	<u>4%</u>
<b>General Revenues:</b>				
Property Taxes	340,234	303,858	36,376	12%
State Equalization	280,377	268,052	12,325	5%
Other State Revenue	159,810	170,308	(10,498)	-6%
County Revenue	101,185	90,804	10,381	11%
Investment Earnings	932	1,210	(278)	-23%
Other	<u>13,312</u>	<u>11,341</u>	<u>1,971</u>	<u>17%</u>
<b>Total General Revenues</b>	<u>895,850</u>	<u>845,573</u>	<u>50,277</u>	<u>6%</u>
<b>Total Revenues</b>	<u>\$ 1,068,545</u>	<u>\$ 1,011,156</u>	<u>\$ 57,389</u>	<u>6%</u>

The School's revenue remained constant from other years.

Changes in the School's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
<b>Expenses:</b>				
Regular Programs	\$ 444,140	\$ 406,982	\$ 37,158	9%
Other Programs	201,311	179,474	21,837	12%
Support Services	23,072	8,049	15,023	187%
Media Services	32,582	34,683	(2,101)	-6%
Administration	175,408	173,387	2,021	1%
Operation and Maintenance	70,651	74,092	(3,441)	-5%
Student Transportation	89,367	82,402	6,965	8%
School Food	48,076	44,822	3,254	7%
Extracurricular	3,475	4,781	(1,306)	-27%
Depreciation - Unallocated	<u>26,008</u>	<u>22,544</u>	<u>3,464</u>	<u>15%</u>
<b>Total Expenses</b>	<u>1,114,090</u>	<u>1,031,216</u>	<u>82,874</u>	<u>8%</u>
<b>Less Program Revenues</b>	<u>172,695</u>	<u>165,583</u>	<u>7,112</u>	<u>4%</u>
<b>Net (Expenses) Revenues</b>	<u>(941,395)</u>	<u>(865,633)</u>	<u>(75,762)</u>	<u>9%</u>
<b>Less General Revenues</b>	<u>895,850</u>	<u>845,573</u>	<u>50,277</u>	<u>6%</u>
<b>Change in Net Assets</b>	<u>\$ (45,545)</u>	<u>\$ (20,060)</u>	<u>\$ (25,485)</u>	<u>127%</u>

The School's expenses increase over the prior year is due primarily to:

- TRS payment
- Van purchase

## **Capital Assets and Debt of the District**

During fiscal year 2014, the District purchased a 2012 Dodge Caravan.

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. The District was required to implement this new statement during the year ended June 30, 2010. The cumulative effect is the recording of \$12,139 liability relating to the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

## **Analysis of Financial Information**

The following analysis is provided to help the reader understand the major operations of the 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.

Olney-Bissell School District provides instructional, transportation, and special education services, serving approximately 78 students in 13-14. The District receives funding from a variety of federal programs.

The majority of the District's revenue for the operations of the District is generated from state funding sources. District retirement funds are generated from a countywide tax levy to pay social security, medicare, retirement and unemployment insurance expenses. The miscellaneous program fund is used to account for a variety of programs, mostly the federal programs previously mentioned. The District also has transportation revenues funded by state and countywide sources.

Olney-Bissell School District has been spared from large decreases in student population. The District views the fact that funding has not kept up with the cost of inflation, the large increases in insurance premiums, and rapidly increasing heating/utility costs to be the main financial hurdles in future years.

## **The Future of the District**

There were no significant changes noted subsequent to year end.

## **Contact for Additional Information**

If you have questions about this report or need additional information, contact the Clerk at the Olney-Bissell School, 5955 Farm to Market Road, Whitefish, MT 59937 or by phone at (406) 862-2828, or e-mail at [olneybissell@gmail.com](mailto:olneybissell@gmail.com)

**Olney-Bissell Public School**  
**Flathead County**  
**Whitefish, Montana**  
Statement of Net Position  
June 30, 2014

**Assets**

Current Assets

Cash and Investments	\$ 177,085
Property Taxes Receivable	<u>16,872</u>

Total Current Assets	<u>193,957</u>
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Non-Current Assets

Capital Assets, Depreciable - Net	324,987
Capital Assets, Land	<u>5,064</u>

Capital Assets - Net	<u>330,051</u>
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Total Assets	<u>524,008</u>
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**Liabilities**

Current Liabilities

Accounts Payable	-
Long-Term Debt - Due Within One Year	<u>4,297</u>

Total Current Liabilities	<u>4,297</u>
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Noncurrent Liabilities:

Long-Term Debt - Due in More Than One Year	<u>21,498</u>
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Total Liabilities	<u>25,795</u>
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**Net Position**

Net Investment in Capital Assets	330,051
Restricted	97,842
Unrestricted	<u>70,320</u>

Total Net Position	<u>\$ 498,213</u>
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See Notes to Financial Statements.

**Olney-Bissell Public School**  
**Flathead County**  
**Whitefish, Montana**  
**Statements of Activities**  
**For the Year Ended June 30, 2014**

	-----Program Revenue-----			
<u>Expenses</u>	<u>Charges For</u>	<u>Operating</u>	<u>Capital</u>	<u>Net (Expense)</u>
	<u>Services</u>	<u>Grants</u>	<u>Grants and</u>	<u>Revenue</u>
			<u>Contributions</u>	
<b>Government Operations</b>				
Instruction:				
Regular Programs	\$ 444,140	\$	\$	\$ (444,140)
Other Programs	201,311		102,213	(99,097)
Support Services	23,072			(23,072)
Media Services	32,582			(32,582)
Administration				
Schools	112,591			(112,591)
General	2,418			(2,418)
Financial	60,399			(60,399)
Transportation	89,367		27,314	(62,053)
Operation and Maintenance	70,651			(70,651)
School Food	48,076	9,669	33,499	(4,908)
Extracurricular	3,475			(3,475)
Depreciation Expense - Unallocated	26,008			(26,008)
Totals	<u>\$ 1,114,090</u>	<u>\$ 9,669</u>	<u>\$ 163,026</u>	<u>\$ -</u>
<b>General Revenues</b>				
District Property Taxes				340,234
State Equalization				280,377
Other State Revenue				159,810
County Revenue				101,185
Investment Earnings				932
Other				13,312
Total General Revenues				<u>895,850</u>
<b>Change in Net Position</b>				<b>(45,545)</b>
<b>Net Position</b>				
Beginning of the Year				<u>543,758</u>
End of the Year				<u>\$ 498,213</u>

See Notes to Financial Statements.

**Olney-Bissell Public School  
Flathead County  
Whitefish, Montana**

Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Tuition Fund</u>	<u>Retirement Fund</u>	<u>Miscellaneous Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>							
Cash and Investments	\$ 83,133	\$ 745	\$ -	\$ 36,434	\$ 47,113	\$ 9,660	\$ 177,085
Property Taxes	10,882	3,450	2,100	-	-	440	16,872
Due From Other Funds	278	-	-	-	-	-	278
<b>Total Assets</b>	<b><u>\$ 94,293</u></b>	<b><u>\$ 4,195</u></b>	<b><u>\$ 2,100</u></b>	<b><u>\$ 36,434</u></b>	<b><u>\$ 47,113</u></b>	<b><u>\$ 10,100</u></b>	<b><u>\$ 194,235</u></b>
<b>Liabilities</b>							
Other Liabilities	\$ -	\$ -	\$ 278	\$ -	\$ -	\$ -	\$ 278
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>278</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>278</u></b>
<b>Deferred Inflows of Resources</b>							
Deferred Property Taxes	10,882	3,450	2,100	-	-	440	16,872
<b>Total Deferred Inflows of Resources</b>	<b><u>10,882</u></b>	<b><u>3,450</u></b>	<b><u>2,100</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>440</u></b>	<b><u>16,872</u></b>
<b>Fund Balance</b>							
Restricted	-	745	-	36,434	47,113	9,660	93,952
Assigned	5,388	-	-	-	-	-	5,388
Unassigned	78,023	-	(278)	-	-	-	77,745
<b>Total Fund Balance</b>	<b><u>83,411</u></b>	<b><u>745</u></b>	<b><u>(278)</u></b>	<b><u>36,434</u></b>	<b><u>47,113</u></b>	<b><u>9,660</u></b>	<b><u>177,085</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b><u>\$ 94,293</u></b>	<b><u>\$ 4,195</u></b>	<b><u>\$ 2,100</u></b>	<b><u>\$ 36,434</u></b>	<b><u>\$ 47,113</u></b>	<b><u>\$ 10,100</u></b>	<b><u>\$ 194,235</u></b>

**Reconciliation to the Statement of Net Position**

Total fund balance reported above	\$ 177,085
Add capital assets not reported above	\$ 711,379
Less accumulated Depreciation	<u>(381,328)</u> 330,051
Less Liabilities not reported above:	
Compensated Absences	(13,656)
OPEB	(12,139)
Deferred Property Taxes	<u>16,872</u>
<b>Net Position</b>	<b><u>\$ 498,213</u></b>

See Notes to Financial Statements.

**Olney-Bissell Public School**  
**Flathead County**  
**Whitefish, Montana**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Tuition Fund</u>	<u>Retirement Fund</u>	<u>Miscellaneous Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>Revenues</b>							
District Property taxes	\$ 224,359	\$ 70,985	\$ 42,482	\$ -	\$ -	\$ 9,125	\$ 346,951
Intergovernmental:							
County	-	13,657	-	101,185	-	-	114,842
State Equalization	280,377	-	-	-	-	-	280,377
State Other	187,362	16,427	-	-	444	9,118	213,351
Federal	-	-	-	-	69,855	25,976	95,831
School Food Sales	-	-	-	-	-	9,669	9,669
Interest	477	30	27	148	204	46	932
Other	-	-	-	-	13,312	-	13,312
<b>Total Revenues</b>	<u>692,575</u>	<u>101,099</u>	<u>42,509</u>	<u>101,333</u>	<u>83,815</u>	<u>53,934</u>	<u>1,075,265</u>
<b>Expenditures</b>							
Current Operations:							
Instruction:							
Regular Programs	343,135	-	-	71,519	14,241	9,722	438,617
Other Programs	77,410	-	43,584	10,462	69,855	-	201,312
Support Services	20,976	-	-	2,096	-	-	23,072
Media Services	28,103	-	-	4,479	-	-	32,582
Administration:							
Schools	90,181	8,256	-	14,156	-	-	112,593
General	2,418	-	-	-	-	-	2,418
Financial	46,572	9,053	-	4,774	-	-	60,399
Transportation	1,403	87,964	-	-	-	-	89,367
Operation and Maintenance	66,570	-	-	4,081	-	-	70,651
School Food	3,052	-	-	2,200	-	42,824	48,076
Extracurricular	3,263	-	-	212	-	-	3,475
Capital Outlay	-	-	-	-	19,680	-	19,680
<b>Total Expenditures</b>	<u>683,083</u>	<u>105,273</u>	<u>43,584</u>	<u>113,979</u>	<u>103,776</u>	<u>52,546</u>	<u>1,102,241</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	9,492	(4,174)	(1,075)	(12,646)	(19,961)	1,388	(26,976)
Beginning of the Year	<u>73,919</u>	<u>4,919</u>	<u>797</u>	<u>49,080</u>	<u>67,074</u>	<u>8,272</u>	<u>204,061</u>
End of the Year	<u>\$ 83,411</u>	<u>\$ 745</u>	<u>\$ (278)</u>	<u>\$ 36,434</u>	<u>\$ 47,113</u>	<u>\$ 9,660</u>	<u>\$ 177,085</u>

See Notes to Financial Statements.

**Olney-Bissell Public School  
Flathead County  
Whitefish, Montana**

Reconciliation of the  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2014

Excess (Deficiency) of Revenues Over Expenditures as Reported in the Government Funds Statement	\$	(26,976)
Revenues on the Statement of Activity not Included in Government Funds Statement:		
Decrease in Property Taxes Receivables		(6,717)
Expenses on the Statement of Activity not Included in the Government Funds Statement:		
Depreciation Expense	\$	(26,008)
Other Post Employment Benefit Obligations		(5,531)
Decrease in Compensated Absence Liability		7
		<u>(31,532)</u>
Expenses Reported in the Governmental Funds Statement not included in the Statement of Activity		
Capital Outlay		<u>19,680</u>
Change in Net Position Reported on the Statement of Activity	\$	<u>(45,545)</u>

See Notes to Financial Statements.

**Olney-Bissell Public School  
Flathead County  
Whitefish, Montana**

Schedule of Revenues, Expenditures, and Encumbrances  
Budget and Actual  
General, Transportation, Tuition and Retirement Funds

	General Fund		Transportation		Tuition		Retirement	
	Original and Final		Original and Final		Original and Final		Original and Final	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>REVENUES</b>								
District Property taxes	\$ 220,406	\$ 224,359	\$ 70,096	\$ 70,985	\$ 42,788	\$ 42,482	\$ -	\$ -
Intergovernmental:								
County	-	-	16,191	13,657	-	-	101,939	101,185
State Equalization	280,377	280,377	-	-	-	-	-	-
State Other	187,362	187,362	18,961	16,427	-	-	-	-
Interest	456	477	-	30	-	27	-	149
Total Revenues	<u>688,600</u>	<u>692,575</u>	<u>105,249</u>	<u>101,099</u>	<u>42,788</u>	<u>42,509</u>	<u>101,939</u>	<u>101,333</u>
<b>EXPENDITURES</b>								
Current Operations:								
Instruction:								
Regular Programs		342,385		-		-		71,519
Other Programs		77,410		-		43,584		10,462
Support Services		20,976		-		-		2,096
Media Services		31,071		-		-		4,479
Administration:								
Schools		90,181		8,256		-		14,156
General		2,418		-		-		-
Financial		46,572		9,053		-		4,774
Transportation		1,403		87,964		-		-
Operation and Maintenance		67,870		-		-		4,081
School Food		3,052		-		-		2,200
Extracurricular		3,263		-		-		212
Total Expenditures	<u>688,600</u>	<u>686,601</u>	<u>105,249</u>	<u>105,273</u>	<u>43,584</u>	<u>43,584</u>	<u>125,849</u>	<u>113,979</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND ENCUMBRANCES</b>	-	5,974	-	(4,174)	(796)	(1,075)	(23,910)	(12,646)
Changes in Encumbrances	-	3,518	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 9,492</u>	<u>\$ -</u>	<u>\$ (4,174)</u>	<u>\$ (796)</u>	<u>\$ (1,075)</u>	<u>\$ (23,910)</u>	<u>\$ (12,646)</u>

See Notes to Budget and Actual Schedule.

**Olney-Bissell Public School  
Flathead County  
Whitefish, Montana**

Statement of Fiduciary Net Position and  
Changes in Fiduciary Net Position  
Student Activity

As of and for the Year Ended June 30, 2014

**Fiduciary Net Position**

Assets:

Cash \$ 1,040

Net Position:

Held in Trust for Student Activities \$ 1,040

**Changes in Fiduciary Net Position**

Additions:

Revenue from Student Activities \$ 615

Deductions:

Expenses of Student Activities (5,613)

Changes in Net Position Held in Trust (4,997)

Net Position, Beginning of the Year 6,038

Net Position, End of the Year \$ 1,040

See Notes to Financial Statements.

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

Notes to Financial Statements

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**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

Notes to Financial Statements  
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

A. Compliance with Generally Accepted Accounting Principles

Olney-Bissell Public School complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Reporting Entity

The Olney-Bissell Public School provides elementary education from kindergarten through the eighth grade. All operations of the School are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees. Because the School is controlled by an elected governing board, is a separate legal entity, is not financially or fiscally dependent upon any other local government, or controlled by any other government, it is considered to be an independent reporting entity and has no component units.

C. Basis of Presentation and Basis of Accounting

**Government-wide Statements** - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activity fund. The statement of net position reflects new wording and categories as required by Government Accounting and Standards Board (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities present a comparison between direct expenses and program revenues for each function of the School's activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services and grants that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Note 1 – Summary of Significant Accounting Policies (Continued)

**Fund Financial Statements** - These statements provide information about the School's funds, including a separate statement for the School's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds. These funds (except the fiduciary funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue (District defined the length of time used for "available" for purposes of revenue recognition to be 60 days). Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables. This change from previous years, when deferred property taxes were reported as a liability, results from the District's early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when due. 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, if applicable.

Under the terms of the School's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the School applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

GASB Statement No. 34 requires that the main operating fund of a government be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, the School reports the following major governmental funds:

General fund - This is the School's main operating fund and it accounts for all current financial resources of the School except those required to be accounted for in other funds.

Transportation Fund - The fund accounts for the School's student busing program.

Tuition Fund - The fund accounts for the School's tuition costs for elementary students.

Retirement fund - This fund is used to account for the School's contribution to social security, retirement, and unemployment compensation.

Miscellaneous Fund - This fund accounts for local, state or federal grants and reimbursements received by the District.

The School also has a private-purpose trust fund, its student activity fund, which accounts for the extracurricular activities of its students.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Budgets

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. There were no budget amendments in 2014.

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. The Board approves the final budget by the fourth Monday in August.

The miscellaneous fund is not presented because it is not a budgeted fund.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

E. Cash and Investments

State law permits investment of school district's funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program. Except for the student activity fund, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value.

F. Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable 50% on November 30 and 50% on May 31. Flathead County, at no charge to the taxing authorities, bills and collects all property taxes.

Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred revenue. Uncollectible property taxes are not considered to be material and no allowance for uncollectible receivables is recorded.

G. Inventories

Inventories are valued at specific cost. The cost of inventories are recorded as an expenditure at the time individual inventory items are purchased (purchases method). Inventories on hand at year end, if material, are offset by a fund balance reserve.

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are carried at cost or estimated cost if actual cost is not available. Fixed asset purchases are recorded as expenditures in the School's funds. Proceeds from the sale of School assets are reported as revenue in other funds. Major additions and betterments are recorded as additions to fixed assets. Repairs, maintenance, and minor additions (equipment costing less than \$5,000) are not capitalized.

Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings	20-40 years
Improvements other than Buildings	20 years
Machinery and Equipment	5-15 years

I. Warrants Payable

Disbursements are made by warrants which are demands for payment drawn on the County Treasurer. Outstanding warrants are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

J. Deferred Property Tax Revenue

Deferred property tax revenue, categorized as a deferred inflow of resources in the government fund financial statements, as discussed above.

K. Compensated Absences

The School's liability for vacation pay is restricted under State statute to a maximum accumulation of two times the amount earned annually. Vacation leave is absorbed by time off from work or may be payable to the employee upon termination, within certain limitations.

Sick leave is accumulated for classified employees (non-teaching personnel) at the rate of 12 days per year with no limit on the carry-over amount. Upon retirement or resignation, employees are eligible for sick leave compensation at one fourth of the accumulated amount. Sick leave for certified personnel (teaching employees) in their first year at the school is awarded at 10 days per year (5 days credited on both September 30<sup>th</sup> and October 31<sup>st</sup>). Sick leave for certified personnel (teaching employees) is awarded at 14 days per year (5 days credited on September 30<sup>th</sup> and seven days on October 31<sup>st</sup>). Upon termination and, depending on longevity, certified personnel are eligible for sick leave compensation at a rate \$18 for each unused day.

Vacation pay is classified as compensated absences due within one year and accrued sick leave is classified as non-current.

L. Estimates

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

2. CASH AND INVESTMENTS

The School participates in the Flathead County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with State law. Interest earnings are distributed monthly and allocated to the School based on month-end cash balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the School to determine investment risk (including amounts invested in financial derivatives), insurance coverage or collateral for its share of the pooled investments in the County Treasurer's program. Information on the County's investment pool can be obtained from the County's annual financial report.

Student activity trust funds are deposited with the Flathead County Treasurer's investment program except for the Student Council Fund which is deposited in a FDIC insured bank account.

3. CHANGES IN CAPITAL ASSETS

The changes in capital assets during 2014 were as follows:

	Balance June 30, 2013	Additions	Disposals/ Adjustments	Balance June 30, 2014
Cost of Capital Assets Not Depreciated:				
Land	\$ 5,064	\$ -	\$ -	\$ 5,064
Other Capital Assets:				
Buildings and Improvements	\$ 589,856	\$ -	\$ 40,136	\$ 629,992
Land Improvements	30,021	-	-	30,021
Equipment	26,622	19,680	-	46,302
Construction in Progress	40,136	-	(40,136)	-
Total	<u>686,635</u>	<u>19,680</u>	<u>-</u>	<u>706,315</u>
Accumulated Depreciation				
Land Improvements	(10,507)	(1,501)	-	(12,008)
Buildings and Improvements	(321,473)	(21,661)	-	(343,134)
Equipment	(23,340)	(2,846)	-	(26,186)
Total	<u>(355,320)</u>	<u>(26,008)</u>	<u>-</u>	<u>(381,328)</u>
Net capital assets	\$ <u>336,379</u>	\$ <u>(6,328)</u>	\$ <u>-</u>	\$ <u>330,051</u>

Depreciation was charged to the District's programs as follows:

Unallocated \$ (26,008)

Based on discussion with the District Administration, the depreciation expense will be unallocated since primary affects the District as a whole.

4. LONG-TERM DEBT

Changes in long-term debt during 2014 are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 13,663	\$ -	\$ (7)	\$ 13,656	\$ 4,297
OPEB	6,608	5,531	-	12,139	-
Total	<u>\$ 20,271</u>	<u>\$ 5,531</u>	<u>\$ (7)</u>	<u>\$ 25,795</u>	<u>\$ 4,297</u>

Compensated Absences - The payable represents vacation and sick leave earned by employees which is payable upon termination.

5. GOVERNMENT-WIDE RESTRICTED NET POSITION

Restricted Net Position – Consists of net position with constraints placed on the use either by (a.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b.) law through constitutional provisions or enabling legislations. The District applies restricted resources first to expenses when both restricted and unrestricted net position are available.

These funds and their net position at June 30, 2014 are as follows:

Transportation	\$ 4,195
School Food	4,753
Retirement	36,434
Miscellaneous	47,113
Compensated Absences	2,591
Technology	2,743
Building	13
Total Restricted Net Position	<u>\$ 97,842</u>

6. GOVERNMENT FUND BALANCE REPORTING

The District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the District spends committed first, the assigned, and lastly, unassigned funds.

Committed funds must be so designated by the School Board and assigned funds are designated by the Superintendent as authorized by the School Board. There were no committed funds at June 30, 2014.

6. GOVERNMENT FUND BALANCE REPORTING (Continued)

**Restricted Fund Balance consists of:**

Fund		Purpose
Transportation	\$ 745	Student Transportation
School Food	4,753	School Food
Retirement	36,434	Retirement
Miscellaneous	47,113	Instruction - Special Programs
Compensated Absences	2,591	Compensated Absences
Technology	2,303	Maintenance of Technology Equipment
Building	13	Building and Construction
<b>Total Restricted Fund Balance</b>	<b>\$ <u>93,952</u></b>	

**Assigned Fund Balance consists of:**

Fund		Purpose
General Fund	\$ 5,388	Encumbrances

**Unassigned Fund Balance consists of:**

Fund	
General Fund	\$ 78,023
Tuition	(278)
<b>Total Unassigned Fund Balance</b>	<b>\$ <u>77,745</u></b>

7. RETIREMENT PLANS

The School participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates for both plans are required and determined by State law. There were no changes to the plans or the required contribution rates in 2013. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS	7.470%	7.150%	2.49%	17.110%
MPERS (for Members hired before 7/1/2011)	6.800%	6.900%	0.37%	14.070%
MPERS (for Members hired after 7/1/2011)	6.800%	7.900%	0.37%	15.070%

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
MTRS	\$ 77,276	\$ 77,871	\$ 83,386
MPERS	16,540	15,018	11,821
<b>Total</b>	<b>\$ <u>93,816</u></b>	<b>\$ <u>92,889</u></b>	<b>\$ <u>95,207</u></b>

7. RETIREMENT PLANS (Continued)

The State's contributions to the plans in 2014 were \$11,934 for MTRS and \$279 for MPERS. These amounts have not been included in the District's financial statements.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

Mt. Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, Montana 56920-0139  
Telephone (406) 444-3134

Mt. Public Employees Retirement System  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, Montana 59620-0131  
Telephone (406) 444-3154

8. POSTEMPLOYMENT HEALTHCARE PLAN

*Plan Description* – The healthcare plan, an agent multiemployer defined benefit Other Post Employment Benefits (OPEB) plan, provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Fund Policy* – The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

*Funding Status and Funding Progress* – The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Valuation Date	7/1/2013
Actuarial Accrued Liability (AAL)	\$ 94,903
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>94,903</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$ 241,546
UAAL as a Percentage of Covered Payroll	39%

8. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

*Annual OPEB Cost and Net OPEB Obligation* – The government’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government’s net OPEB obligation:

Annual Required Contribution (ARC)	\$ 9,154
Interest on Net OPEB Obligation	-
Estimated Employer Benefits Paid	<u>(3,623)</u>
Annual OPEB Cost (Expense)	5,531
Net OPEB Obligation - Beginning of the Year	6,608
Adjustment to ARC	-
Net OPEB Obligation - End of the Year	<u><u>\$ 12,139</u></u>

*Actuarial Methods and Assumptions* – The actuarial funding method used to determine the cost of the Olney-Bissell Public School is the projected unit credit cost method. The objective under this method is to fund each participant’s benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

The actuarial assumptions included the following:

Actuarial Cost Method	Unit Credit Cost Method
Discount Rate (Average Anticipated Rate)	4.25%
Average Salary Increase	2.50%
Participation Rate	45%

The healthcare cost trend rates are as follows:

<u>Year</u>	<u>% Increase</u>
2014	9.5%
2015	9.0%
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023 +	5.0%

## 9. RISK MANAGEMENT

The School faces a number of risks including (a) loss or damage to 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.

Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities, and medical insurance costs of employees. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The School participates in two state-wide public risk pools, the Montana Schools Group Insurance Authority (MSGIA) for workers' compensation coverage, and the Montana Schools Unemployment Insurance Program (MSUIP) for unemployment insurance. All school district participants in these pools are jointly and severally liable for the liabilities of these public risk pools. Audited financial statements are available from MSGIA and MSUIP.

## 10. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating government retains 1.) an ongoing financial interest or 2.) an ongoing financial responsibility.

Special Education Cooperative - Olney-Bissell Public School is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's payment to the cooperative for fiscal year 2014 was \$1,817. Separate financial statements can be obtained from the Flathead Special Education Cooperative.

Northwest Montana Education Cooperative - Olney-Bissell Public School is a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to observe and coordinate the operation and management of education services including joint purchases of material and the curriculum development process. The Cooperative is comprised of 22 districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's payment to the cooperative for fiscal year 2014 was \$2,882. Separate financial statements can be obtained from the Northwest Montana Education Cooperative.

## 10. JOINT VENTURES (Continued)

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavior needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana, is the Host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on the Spring 2013 enrollment. Each District is charged a fee for each student participating in the program.

## 11. TRANSPORTATION CONTRACT

The District contracts with Becker Bussing for its student transportation needs. Becker Bussing provides busses, drivers, and maintenance of the busses for all student transportation needs within the District. This contract was renewed in prior years for a period of five years through June 30, 2017. Transportation fees paid in fiscal year 2014 were \$87,964.

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date		7/1/2013
Actuarial Accrued Liability (AAL)	\$	94,903
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>94,903</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Annual Covered Payroll (Active Plan Members)	\$	241,546
UAAL as a Percentage of Covered Payroll		39%

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

**SCHEDULE OF SCHOOL DISTRICT ENROLLMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	-----Fall-----		-----Winter-----		-----Spring-----	
	<u>School Records</u>	<u>Enrollment Report</u>	<u>School Records</u>	<u>Enrollment Report</u>	<u>School Records</u>	<u>Enrollment Report</u>
Kindergarten	10	10	9	9	9	9
Grades 1 - 6	58	58	58	58	55	55
Grades 6 - 8	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u><u>78</u></u>	<u><u>78</u></u>	<u><u>77</u></u>	<u><u>77</u></u>	<u><u>74</u></u>	<u><u>74</u></u>

**Olney-Bissell Public School  
Flathead County  
Whitefish, Montana**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
All Fund Accounts - Extracurricular Fund  
For the Year Ended June 30, 2014

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/Out</u>	<u>Ending Balance</u>
<b>STUDENT ACTIVITY</b>					
Student Council	\$ 776	\$ 610	\$ 1,148	\$ -	\$ 238
Bissell Athletics	1,876	-	1,876	-	-
Band Program	55	-	55	-	-
History Trip, Big Creek	3,316	-	2,534	-	782
Miscellaneous	15	5	-	-	20
<b>Total</b>	<b>\$ 6,038</b>	<b>\$ 615</b>	<b>\$ 5,613</b>	<b>\$ -</b>	<b>\$ 1,040</b>

**OLNEY-BISSELL PUBLIC SCHOOL  
FLATHEAD COUNTY  
WHITEFISH, MONTANA**

**SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**DESCRIPTION OF THE SCHOOL DISTRICT**

School District Number 58 is a rural school for grades kindergarten through 8th grade. The School, located in the Flathead Valley, is located approximately 8 miles southwest of the City of Whitefish.

The average fall enrollment of students attending the School is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Pre-Kindergarten		1	2			
Kindergarten	12	9	8	11	12	10
Grades 1 - 6	67	62	71	68	59	58
Grades 7 - 8	12	11	13	15	13	10
School Total	<u>91</u>	<u>83</u>	<u>94</u>	<u>94</u>	<u>84</u>	<u>78</u>
Percentage Change from Prior Year		-8.8%	13.3%	0.0%	-10.6%	-7.1%

**SCHOOL DISTRICT VALUATIONS**

<u>As of January 1,</u>	<u>Assessed (Market) Valuations</u>	<u>% Change</u>	<u>Taxable Valuation</u>	<u>% Change</u>	<u>Taxable Valuation as a Percentage of Assessed Valuation</u>
2012	122,349,599	NA	2,868,935	NA	2.3%
2013	128,971,793	5%	2,936,870	2%	2.3%
2014	134,216,511	4%	2,987,930	2%	2.2%

SCHOOL DISTRICT TAX LEVIES (in mills)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General	86.63	87.24	77.35	78.95	72.05	75.04
Transportation	19.30	18.52	18.53	19.08	21.13	23.87
Tuition	10.91	-	13.87	10.11	8.80	14.57
Technology	3.99	3.74	3.52	3.31	3.12	3.04
Total	<u>120.83</u>	<u>109.50</u>	<u>113.27</u>	<u>111.45</u>	<u>105.10</u>	<u>116.52</u>

MAXIMUM BONDED INDEBTEDNESS

State statutes (MCA 20-9-406) limit the maximum bonded indebtedness to 50% of the School's taxable valuation at June 30, 2014. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

<u>Debt Limit Calculation</u>	<u>Elementary</u>
2014/15 Statewide Taxable Value Per Student	\$ 33,140
x 2014/15 Budget ANB	89
Total	<u>2,949,460</u>
x Debt Limit Rate of 50%	50%
Maximum Debt Capacity	<u>\$ 1,474,730</u>

TERRY JAMES BURKE  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Olney-Bissell Public School  
Flathead County  
Whitefish, Montana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olney-Bissell Public School, Flathead County, Whitefish, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Olney-Bissell Public School's basic financial statements and have issued our report thereon dated May 12, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Olney-Bissell Public School, Flathead County, Whitefish, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Olney-Bissell Public School's internal control. Accordingly, I do not express an opinion on the effectiveness of Olney-Bissell Public School's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below as item 14-3 to be a material weakness.

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. I consider the deficiencies described below as items 14-1 and 14-4 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Olney-Bissell Public School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

I noted a certain matter that is described below as item 14-2.

### **14-1 Lack of Segregation of Accounting Duties**

**Condition** – Ideal segregation of accounting duties is not always possible in an organization with a small staff as is the case with the District. Compensating controls performed by the board are important.

**Criteria** - Internal control procedures require a proper segregation of accounting duties. Because ideal segregation of accounting duties is not always possible, compensating controls performed by the board are important.

**Effect** – The lack of compensating controls performed by the Board increases the vulnerability for improper disbursements.

**Cause** – The condition is caused by organizations with a small staff requiring compensating controls to be performed by the Board.

**Recommendation** – I recommend the Board continue to monitor and approve the School's activities and transactions.

### **14-2 Budget**

**Condition** – The District overspent its budget authority in the Transportation Fund by \$24. Although the District approved the additional expenditures, the amounts were not budgeted. As a result, the District overspent its Transportation Fund budget.

**Criteria** – The District may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund.

**Effect** – The District overspent its budget.

**Cause** – The condition was caused by an oversight of the relevant State Statute by the District.

**Recommendation** – I recommend the District comply with State law and not overspend its approved budget.

### 14-3 Financial Reporting

**Condition** – The District does not have the expertise to prepare or to evaluate the auditor prepared financial statements to ensure proper preparation in accordance with generally accepted accounting principles (GAAP). For example, I noted the District did not record Other Post Employment Benefits (OPEB) on the TFS at June 30, 2014. In addition, I noted claims that should have been accrued at June 30, 2014. Because it appears that the potential adjustments are not material, the amounts have not been reflected in the audited financial statements.

**Criteria** – Auditing standards that became effective December 15, 2006, require the auditor to determine whether the School's internal control system allows for the reliable reporting of financial data in accordance with GAAP.

**Effect** – Not having the expertise to prepare or to evaluate the auditor prepared financial statements increases the risk of not preparing financial statements in accordance with GAAP.

**Cause** – This condition is caused by the lack of funding for the District to retain and train personnel to evaluate or prepare GAAP financial statements.

**Recommendation** – Although it may not be cost effective for the District to retain and train personnel to evaluate or prepare GAAP financial statements, I recommend the District to consider correcting this material weakness in their internal controls over financial statements preparation by hiring a qualified consultant to evaluate the auditor prepared financial statements. Management should be aware of and continue to evaluate the impact of this deficiency.

### 14-4 Extracurricular Activities

**Condition** – Per review of the student extracurricular activities fund and student council activity account, the following was noted:

- The student extracurricular activities fund revenues and expenditures as reported in the Trustees Financial Summary did not agree with the subsidiary records,
- The student activities fund cash reported in the Trustees Financial Summary did not agree with the underlying records by \$538, and
- There were instances where adequate documentation was not provided.

**Criteria** – Internal control procedures should include procedures that require the reconciliation of the Trustees Financial Summary with the subsidiary records. In addition, the District's expenditures should be supported by adequate documentation before payment.

**Effect** – The lack of reconciling the accounting records and the lack of providing adequate supporting documentation by the District increases the likelihood for inaccurate financial reporting and the vulnerability for improper disbursements.

**Cause** – The District does not have a policy that requires the reconciliation of the Trustees Financial Summary with the subsidiary records.

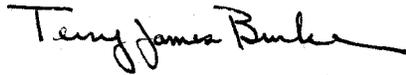
**Recommendation** – The District should ensure that the Trustees Financial Summary reconciles with the subsidiary records. In addition, I recommend the District providing adequate supporting documentation for all expenditures.

### **Entity's Response to Findings**

The District's response to findings identified in my audit is described on page 37. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

A handwritten signature in black ink, appearing to read "Terry James Bunker". The signature is written in a cursive style with a long horizontal stroke at the end.

May 12, 2015

**TERRY JAMES BURKE**  
CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON PRIOR AUDIT RECOMMENDATIONS**

To the Board of Trustees  
Olney-Bissell Public School  
Flathead County  
Whitefish, Montana

The prior audit report contained four audit recommendations. The action taken on these recommendations are as follows:

- 13-1 Lack of Segregation of Accounting Duties - Repeated.**
- 13-2 Financial Reporting - Repeated.**
- 13-3 Reconciliation of Accounting Records – No concerns noted in the current audit.**
- 13-4 Budget – Repeated.**



May 12, 2015



**Olney-Bissell School District #58**  
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Statement from Lona Everett, principal and Teresa Bruce, Business Manager regarding the audit report recommendations.

Addressing 14-1:

- All financial transactions and activities, including extra-curricular, will be reported to the Board for their approval.
- All claims, including payroll warrants and all contracts with amounts, will be accounted for, reviewed, and approved by the board at monthly meetings.
- All of the above will be noted in the minutes and initialed by the Board.

Addressing 14-2:

- Steps will be taken to ensure the Trustees Financial Summary is completed and agrees with the underlying financial statements.

Addressing 14-3:

- The District will consider hiring a qualified financial consultant for the auditor prepared financial statement. We will be aware of and continue to evaluate the impact of this deficiency.

Addressing 14-4:

- Procedures will be put into place to account for all monies into and out of this fund, including receipting, depositing, disbursing, and reconciling.
- The District will implement all criteria provided for in the MASBO manual and required by State Law.