

OPHEIM PUBLIC SCHOOLS
SCHOOL DISTRICT 9D
VALLEY COUNTY
OPHEIM, MONTANA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED JUNE 30, 2014

OPI Entity Number 53-0935

OPHEIM PUBLIC SCHOOLS
 VALLEY COUNTY
 OPHEIM, MONTANA
 TABLE OF CONTENTS
 JUNE 30, 2014

	<u>Page Number</u>
Board of Trustees and Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	16
Notes to the Financial Statements.....	17-25
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General and Major Special Revenue Funds.....	26-27
 SUPPLEMENTARY INFORMATION	
Extracurricular Fund - Statement of Revenues Collected and Expenditures Paid - All Fund Accounts.....	28
Schedule of Student Enrollment	29
 ADDITIONAL REPORTS	
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	30-31
Schedule of Findings	32

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
JUNE 30, 2014

BOARD OF TRUSTEES

Alice Redfield Chairperson
Ted See Vice-Chairperson
Justin Fuhrmann Trustee
Mughi Flickinger Trustee
Jeff Robertson Trustee
Connie Miller Clerk of Board

OFFICIALS

Ed Ray District Superintendent
Lynne Nyquist County Superintendent
Nick Murnion County Attorney



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

741 Third Avenue South
Glasgow, Montana 59230
406-228-9391
FAX: 406-228-2063
1-800-755-2467

E-MAIL: glasgow@chmspc.com

Richard A. Wiens, CPA
Doris M. Leader, CPA
Diana W. Mattfeldt, CPA

Independent Auditor's Report

Board of Trustees
Opheim Public Schools
Valley County
Opheim, 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 Opheim Public Schools, Valley County, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Opheim Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Opheim Public Schools, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 26-27 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. 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 Opheim Public Schools' basic financial statements. The extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment is the responsibility of management and was derived from and relates 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 extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015 on our consideration of Opheim Public Schools' 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 Opheim Public Schools' internal control over financial reporting and compliance.



CHMS, P.C.
Certified Public Accountants
Glasgow, Montana
June 5, 2015

**Opheim School District
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014**

The Business Manager/Clerk of the Opheim School District has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014. Please read it along with the District's financial statements which begin on page 11.

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.

Reporting the School District as a Whole

One important question asked about the school district's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. The report includes two district-wide statements that focus on operations of the district as a whole. These 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. Activities that are fiduciary in nature are not included in these statements.

A. The **Statement of Net Position** (page 11) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

B. The **Statement of Activities** (page 12) shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into the following category:

Governmental activities -- The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Reporting the District's Most Significant Funds

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

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. The General fund is always reported as a major fund. The Bus Depreciation Fund is also considered a major fund in the Opeheim School District. Internal service funds are never reported as major funds, but are combined and presented in a separate column.

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

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

Reporting the District's Trust and Fiduciary Responsibilities

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

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 16) because the district cannot use these assets to fund its operations.

The district is responsible for ensuring these assets are used for their intended purpose.

Budget-to--Actual Comparisons

The District's original and final budgets were identical for the year ended June 30, 2014.

The budgetary comparison schedules on pages 26-27 show how actual revenues and expenditures compared to the original and final budgeted revenues and expenditures for the General Fund and Bus Depreciation Fund.

Variances were determined by functionality and reported as significant if there was a variance greater than five percent between budget and actual. The following significant variance exists between the final revenue and expenditure budgets and the actual revenues and expenditures:

General Fund - The district tax levy was increased by \$3,899 from the previous year, with actual tax collections received lower by \$798 than budgeted; overall revenues received were \$5,429 over the budgeted amount. Budgeted revenues were received at 101%, with expenditures expended at 93% of the budget. This created a deficiency of revenues over expenditures of \$37,857.

Bus Depreciation Fund - Total revenues received were down by \$400 or 1%. There were no capital outlay expenditures as no new buses were purchased. This resulted in a positive variance of \$52,538, or an increase in fund balance of 19%.

THE DISTRICT AS A WHOLE

The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. However, there are other nonfinancial factors that influence the District's fiscal health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc.

Changes in the District's net position were as follows:

Opheim School District Condensed Statement of Net Position

	Governmental Activities			
	FY2013	FY2014	Change	%
Current and other assets	\$ 854,778	\$ 781,836	\$(72,942)	-9%
Capital assets	756,149	751,091	(5,058)	-1%
Total Assets	\$1,610,927	\$1,532,927	(78,000)	-5%
Long-term debt outstanding	37,858	35,324	(2,534)	-7%
Other liabilities	25,170	15,318	(9,852)	-39%
Total Liabilities	\$ 63,028	\$ 50,642	\$(12,386)	-20%
Net position				
Net Investment in capital assets	\$ 756,149	\$ 751,091	\$(5,058)	-1%
Restricted	513,485	516,570	3,085	1%
Unrestricted	278,265	214,624	(63,641)	-23%
Total Net Position	\$1,547,899	\$1,482,285	\$(65,614)	-4%

Net position decreased by \$65,614 mostly due to the decrease in the value of current and other assets of \$72,942, and capital assets of \$5,058, for a total decrease in total assets of \$78,000. This was offset by the decrease in total liabilities at fiscal year-end of \$12,386. Overall revenues and expenditures for the year were up slightly throughout most of the funds. Taxes receivable, both delinquent and protested, at June 30th were \$7,451, a decrease of \$6,095 over the prior year.

General and Program Revenues

Opheim School District Changes in Net Position

	Governmental Activities		Change	%
	FY2013	FY2014		
Revenues				
Program revenues:				
Charges for services	\$ 22,227	\$ 18,326	\$(3,901)	-18%
Operating grants and contributions	79,788	92,366	12,578	16%
Capital grants and contributions	0	0	0	0%
General Revenues:				
Property taxes	475,666	491,375	15,709	3%
County/State equalization	574,906	606,749	31,843	6%
Other general revenues	<u>46,467</u>	<u>15,115</u>	<u>(31,352)</u>	-67%
Total Revenues	\$ 1,199,054	\$1,223,931	\$ 24,877	2%
Program Expenses				
Regular programs	\$ 321,802	\$ 396,493	\$ 74,691	23%
Special programs	35,571	47,096	11,525	32%
Vocational programs	22,174	20,583	(1,591)	-7%
Other programs	210,856	225,594	14,738	7%
Operation and maintenance	217,835	188,672	(29,163)	-13%
School food	58,691	68,494	9,803	17%
Extracurricular	24,364	31,233	6,869	28%
Student transportation	114,512	123,208	8,696	8%
Administration	132,130	134,821	2,691	2%
Unallocated depreciation	<u>48,951</u>	<u>53,351</u>	<u>4,400</u>	9%
Total Expenses	\$ 1,186,886	\$ 1,289,545	\$102,659	9%
Increase (decrease) in net position	\$ <u>12,168</u>	\$ <u>(65,614)</u>	\$ <u>(77,782)</u>	-639%

Opheim School District's total revenues for the fiscal year ended June 30, 2014, were slightly more than \$1.2 million, an increase of \$24,877 from the previous year. The total cost of all programs and services was slightly more than \$1.2 million, with costs increasing by \$102,659 over the previous year. This resulted in a decrease in net assets by \$65,614. District taxpayers paid approximately 40% of the revenue generated throughout the year, remaining fairly constant. The remainder was financed through charges for services, operating grants, other state revenues and investment earnings.

Opheim School District
Spending Levels Compared to Resource Levels

	<u>FY2012-13</u>		<u>FY2013-14</u>	
Expenditures Supported with General Revenues (from taxes and other sources for general school use)	\$1,084,871	91%	\$1,178,853	91%
Expenditures Supported with Program Revenues	\$ 102,015	9%	\$ 110,692	9%
Total Expenditures Related to Governmental Activities	\$1,186,886	100%	\$1,289,545	100%

ANALYSIS OF FINANCIAL INFORMATION

The fund balance available to fund the General Fund decreased by \$37,857. General Fund revenues increased by \$18,951 due to an increase in district tax levy collections of \$4,275, increased state and federal funding of \$21,304, with a decrease in miscellaneous revenue receipts of \$6,628. General Fund expenditures increased by \$44,822 over the prior year. This was mainly attributable to an increase in payroll expenditures of \$67,051; this was due to health insurance premium increases, termination buy-back leave pay-outs, and increases in salaries and custodial staff. The decrease in operation and maintenance of plant services' costs of \$22,230 were largely attributable to the capital asset purchases the previous year of a new vehicle and mobilehome.

The General Fund continues to benefit from federal program allocations, in particular Title II, Part A and Title VI, Part B (also known as the Small Rural Schools Achievement Program). These funds have been used to provide professional development opportunities to teachers which directly support the Five-Year Plan goals and instructional strategies in regard to in-service and training to improve student academic progress. These funds continue to replace General Fund monies which had previously been earmarked for professional development. The Technology Depreciation Fund also continues to ease the burden on the General Fund as it provides an avenue for the resources necessary to meet the District's technology plan.

The fund balance in the Bus Depreciation Fund increased by \$52,538 as the District had no expenditures for new replacement buses during the 2013-2014 school year. The district tax levy generated \$51,908, a decrease of \$110 over the previous year. Additional miscellaneous revenues brought in \$630, a decrease of \$290 from the previous year. In April of 2013, four new Microbird buses were ordered with an expected arrival date of the fall of 2013. The new buses did not arrive during the 2013-2014 school year as anticipated. The buses are expected to arrive in August of 2014.

The bus depreciation schedule continues to remain in place for the future replacement of the District's older buses. Maintaining a safe and efficient fleet of buses continues to be an important priority of the Board of Trustees.

Capital Assets

As of June 30, 2014, the District had invested \$2,066,408 in capital assets including land improvements, buildings, and machinery and equipment. Total depreciation expense for the year was \$101,911. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014:

Land Improvements	\$ 26,377
Buildings and Improvements	\$ 551,079
Machinery and Equipment	<u>\$ 173,635</u>
Total	\$ 751,091

The decrease in capital assets of \$5,058 is the result of capital outlay purchases in the amount of \$96,853 less the accumulated depreciation for FY14 of \$101,911.

Debt Administration

At June 30, 2014, the District had \$50,539 in long-term liabilities from Compensated Absences payable. This is a decrease of \$12,489 from the previous year. The District had no other outstanding debt at June 30, 2014.

THE FUTURE OF THE DISTRICT

At the beginning of the 2013-2014 school year the Board of Trustees reviewed the goals they had previously adopted for the district consisting of continuing with the strategic planning committee to provide information to the community regarding the future of the school; to explore and keep abreast of new technologies; and to increase career education awareness by exposure to career opportunities across the curriculum. These goals have not been revised for several years but they continue to be of importance and monitored on a yearly basis. The annual adoption of goals will continue to be an important process and function of the Board.

The Opheim School District has made AYP (Adequate Yearly Progress) in student performance as determined by the Office of Public Instruction and mandated by the federal government. Analysis of the data indicates that the Opheim School District has met the goals outlined in the Comprehensive Education Plan for the 2013-2014 school year. This continues to be a primary objective with plans progressing for the 2014-2015 school year. The analysis indicates that the district/school goals and instructional strategies are functioning very effectively in assisting student academic progress. In light of the continued mandate to meet the AYP component of the Federal No Child Left Behind Act the district has continued its membership with the Prairie View Curriculum Consortium to further the teachers' efforts in ensuring that all students are mastering the necessary skills required to be successful in all academic areas and on the standardized achievement tests.

District patrons continue to be overwhelmingly supportive of the school district. The support of the community is a vital component in ensuring the continuity and stability of the future of the school district.

Declining enrollment continues to be an area of concern in light of the number of families that continue to leave the community for larger schools within 50 miles in order to provide additional opportunities for their students such as sports, social interaction with peers, or academic offerings. With the General Fund budget enrollment-driven, the ability to maintain the budget at the current level is of highest priority. Keeping abreast of funding issues during legislative years is a key component to effective strategic planning. Enrollment will be closely monitored on a yearly basis as it affects the future of the Opheim School District.

Recruiting and retaining certified teachers has become an issue of alarming proportion to the administration and school board. It is becoming more challenging to obtain highly qualified individuals willing to come to the school district's remote location. In past years the lack of adequate living accommodations for prospective teachers and staff in the town of Opheim and surrounding area was of great concern. With the purchase of the school-owned mobilehome this past year, it has helped ease the lack of housing issue to some degree. However, rental housing continues to remain problematic, with most property owners preferring to sell their real estate rather than rent it out.

CONTACT FOR FURTHER INFORMATION

If you have questions about this report or need additional information, contact the Business Manager/Clerk at the Opheim School District, 100 Rock Street, Opheim, MT, 59250, 406-762-3213.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments (Note C)	\$ 726,648
Taxes Receivable	7,451
Intergovernmental Receivable (Note G)	1,031
Inventories	46,706
Total Current Assets	<u>781,836</u>
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation, where applicable) (Note D)	<u>751,091</u>
Total Noncurrent Assets	<u>751,091</u>
Total Assets	<u><u>1,532,927</u></u>
LIABILITIES	
Current Liabilities	
Advance from Grantor	103
Current Portion of Compensated Absences (Note F)	<u>15,215</u>
Total Current Liabilities	<u>15,318</u>
Noncurrent Liabilities (Note F)	
Compensated Absences	<u>35,324</u>
Total Noncurrent Liabilities	<u>35,324</u>
Total Liabilities	<u><u>50,642</u></u>
NET POSITION	
Net Investment in Capital Assets	751,091
Restricted (Note L)	516,570
Unrestricted	214,624
Total Net Position	<u><u>\$ 1,482,285</u></u>

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Instruction:					
Regular Programs	\$ 396,493	\$ 5,928	\$ 583	\$ -	\$ (389,982)
Special Programs	47,096	-	23,118	-	(23,978)
Vocational Programs	20,583	-	1,526	-	(19,057)
Supporting services:					
Student	16,635	-	-	-	(16,635)
Instructional staff	3,201	-	-	-	(3,201)
Library	48,662	-	-	-	(48,662)
School administration	134,821	-	-	-	(134,821)
Business	61,420	-	-	-	(61,420)
Operation and maintenance	188,672	-	-	-	(188,672)
Transportation	123,208	-	63,089	-	(60,119)
Retirement	93,676	-	-	-	(93,676)
School food services	68,494	12,398	4,050	-	(52,046)
Community Improvement	2,000	-	-	-	(2,000)
Extracurricular	31,233	-	-	-	(31,233)
Depreciation - Unallocated*	53,351	-	-	-	(53,351)
Total school district	<u>\$ 1,289,545</u>	<u>\$ 18,326</u>	<u>\$ 92,366</u>	<u>\$ -</u>	<u>(1,178,853)</u>
General revenues:					
District Levies					491,375
Penalties and Interest on Taxes					519
County Retirement Distribution					110,764
Federal and state aid not restricted to specific purposes					495,985
Earnings on investments					1,114
Miscellaneous					13,482
Total general revenues					<u>1,113,239</u>
Change in net position					(65,614)
Net position - beginning					<u>1,547,899</u>
Net position - ending					<u>\$ 1,482,285</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Petty Cash	\$ 200	\$ -	\$ -	\$ 200
Cash in County Treasury (Note C)	212,379	323,367	190,702	726,448
Taxes Receivable:				
Real & Personal	5,116	669	624	6,409
Protested	865	81	96	1,042
Bankruptcy Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Inventory	40,298	-	6,408	46,706
Prepaid Expenses	-	-	-	-
Interfund Receivable (Note G)	-	-	-	-
Due From Other Governments (Note G)	-	-	1,031	1,031
Total Assets	\$ 258,858	\$ 324,117	\$ 198,861	\$ 781,836
LIABILITIES AND FUND EQUITY				
Liabilities				
Advance From Grantor	\$ -	\$ -	\$ 103	\$ 103
Total Liabilities	-	-	103	103
Deferred Inflows of Resources (Note N)				
Unavailable Tax Revenue	5,981	750	720	7,451
Total Deferred Inflows of Resources	5,981	750	720	7,451
Fund Equity				
Fund Balance				
Nonspendable (Note L)	40,298	-	6,408	46,706
Restricted (Note L)	-	323,367	191,630	514,997
Unassigned	212,579	-	-	212,579
Total Fund Equity	252,877	323,367	198,038	774,282
Total Liabilities and Fund Equity	\$ 258,858	\$ 324,117	\$ 198,861	\$ 781,836

Reconciliation to the Statement of Net Position

Total Fund balance reported above	\$ 774,282
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,066,408, and the accumulated depreciation is \$1,315,317.	751,091
Less Liabilities not reported above:	
Compensated Absences	(50,539)
Unavailable Tax Revenue recognized as revenue in the government-wide statements	
Property Taxes	7,451
Net Position	\$ 1,482,285

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
District Levy	\$ 397,546	\$ 51,908	\$ 48,016	\$ 497,470
Penalty/Interest on Delinquent Taxes	423	56	40	519
Interest Earnings	329	432	353	1,114
Miscellaneous	2,908	142	10,432	13,482
County Sources	-	-	141,534	141,534
State Sources	491,541	-	34,946	526,487
Tuition	5,928	-	-	5,928
Federal Sources	-	-	31,094	31,094
Lunch Sales	-	-	12,398	12,398
Total Revenues	<u>898,675</u>	<u>52,538</u>	<u>278,813</u>	<u>1,230,026</u>
Expenditures				
Current:				
Instruction:				
Regular Programs	348,558	-	50,070	398,628
Special Programs	46,383	-	-	46,383
Vocational Programs	12,815	-	7,768	20,583
Supporting services:				
Student	16,635	-	-	16,635
Instructional staff	3,201	-	-	3,201
Library	29,512	-	19,150	48,662
School administration	121,470	-	26,118	147,588
Business	51,185	-	8,731	59,916
Operation and maintenance	184,630	-	3,458	188,088
Transportation	-	-	76,789	76,789
Retirement	-	-	93,676	93,676
School food services	53,157	-	15,625	68,782
Community Improvement	-	-	2,000	2,000
Extracurricular	28,370	-	2,863	31,233
Capital Outlay	75,554	-	21,299	96,853
Total Expenditures	<u>971,470</u>	<u>-</u>	<u>327,547</u>	<u>1,299,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(72,795)</u>	<u>52,538</u>	<u>(48,734)</u>	<u>(68,991)</u>
Fund Balance				
Beginning of Year (Note N)	322,071	270,829	248,332	841,232
Change in Inventory	3,601	-	(1,560)	2,041
Adjusted Fund Balance	<u>325,672</u>	<u>270,829</u>	<u>246,772</u>	<u>843,273</u>
Beginning of Year	325,672	270,829	246,772	843,273
End of Year	<u>\$ 252,877</u>	<u>\$ 323,367</u>	<u>\$ 198,038</u>	<u>\$ 774,282</u>

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
 VALLEY COUNTY
 OPHEIM, MONTANA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balances as reported in the governmental funds statement	\$ (68,991)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$96,853) was exceeded by depreciation expense (\$101,911) in the period.</p>	(5,058)
<p>Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are unavailable in the governmental funds. Unavailable tax revenues decreased by this amount this year.</p>	(6,095)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, these expenditures are measured by the amount of financial resources used. This year, vacation and sick leave used exceeded the amount earned.</p>	12,489
<p>In governmental funds, inventories are recorded as expenditures at the time of purchase. However, in the statement of activities, the expenditure is measured by the inventories used, and is therefore adjusted by a change to the balance of inventory.</p>	2,041
Change in net position on the statement of activities	\$ (65,614)

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
 VALLEY COUNTY
 OPHEIM, MONTANA
 STATEMENT OF FIDUCIARY NET POSITION AND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FIDUCIARY NET POSITION	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash in Bank (Note C)	<u>\$ 31,251</u>
Total Assets	<u>31,251</u>
NET POSITION	
Held in Trust	<u><u>\$ 31,251</u></u>
 CHANGES IN FIDUCIARY NET POSITION	
ADDITIONS	
Revenue from Student Activities	<u>\$ 32,841</u>
DEDUCTIONS	
Expenses of Student Activities	<u>29,639</u>
Change in Net Position	3,202
Net Position, Beginning of Year	<u>28,049</u>
Net Position, End of Year	<u><u>\$ 31,251</u></u>

See notes to the financial statements.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Opheim Public Schools, Valley County, Montana, delivers education services at all levels below the college and university level. The School is managed by a Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Effective July 1, 1994, Opheim Public Schools is a K-12 School District. A K-12 School District is a high school district which has an elementary district attached and provides educational services for both elementary and high school programs.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of 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. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present only Opheim Public Schools, as they have no component units that would be included in the financial data of the School.

The county government of Valley County provides substantial services to the School. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. County Commissioners have a legal right to review and approve the budget adopted by the School. Yet, the School is not considered to be a component of the County. Management policies and day-to-day control of the School is the sole responsibility of the Board of Trustees. The County does not significantly influence the operations of the school; thus, the School is being treated as a separate and independent unit of local government.

**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 activities fund, which accounts for the extracurricular activities of the School's students. This is reported as a private purpose trust fund in the fund financial statements section. Eliminations have been made to minimize the double counting of internal activities of the overall government.

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. Revenue 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 governmental 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 and contributions that are restricted to a particular program. Revenues that are not classified as program revenue, including all property taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS - These statements provide information about the school's funds, including a separate statement for the school's fiduciary funds (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 non-major funds.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (Continued)
FUND FINANCIAL STATEMENTS (Continued)

These funds 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 within 60 days after year-end are recognized as revenue. Most property taxes receivable are delinquent at June 30 and amounts collected within 60 days after year-end are not significant. When an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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 paid. General 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.

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 revenue.

GASB Statement No. 34 requires that the general fund 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 governmental funds also be reported as major funds. Accordingly the School reports the following major governmental funds:

General fund - the School's primary operating fund which accounts for all financial resources of the School except those required to be accounted for in other funds.

Bus Depreciation fund - accounts for financing the replacement of buses and two-way radio equipment owned by the school district.

Warrants Payable: The School makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named. Outstanding warrants are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

Inventories: Inventories are valued at cost. The costs of inventories in governmental funds are recorded as expenditures at the time of purchase.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances are also used to record obligations for grant funding. Encumbrances outstanding at year end are reported as assigned fund balances since they do not constitute expenditures or liabilities.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets which includes plant, property, equipment and infrastructure assets, with a cost of \$5,000 or more are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure assets are also capitalized. Depreciation is computed using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

Buildings and Improvements	20-50 Years
Improvements Other Than Buildings	10-20 Years
Machinery and Equipment	5-30 Years

Compensated Absences: Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the financial statements. The liability for vacation pay is recorded as a current liability payable within one year in the government wide financial statements. The liability for unused sick leave is recorded as a non-current liability.

Fund Equity: In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in the following classifications which reflect the extent to which the school is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - PROPERTY TAX

All property taxes are collected by the Valley County, Montana, Treasurer. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th and May 31st, following the levy date.

The tax levies for the School for the year ended June 30, 2014 were as follows:

	<u>Mill Levy</u>
General Fund	119.34
Transportation Fund	11.55
Bus Depreciation Fund	15.60
Technology Fund	3.00
Total	<u><u>149.49</u></u>

The taxable valuation upon which the above levies were based was \$3,337,879.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position	\$ 726,648
Cash and Investments	
Fiduciary Funds	
Cash in Bank	31,251
Total Cash and Investments	<u>\$ 757,899</u>

Cash and investments consist of the following as of June 30, 2014:

Cash in Banks:	
Demand Deposit with Financial Institution	\$ 46,912
Time and Saving Deposits in Financial Institutions	710,987
Total	<u>\$ 757,899</u>

Cash and investments, except those of the Extracurricular Fund and the Petty Cash fund, are held by the County Treasurer. The Board of Trustees may invest money of the School in 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 or in a repurchase agreement. A School may also invest money under the state unified investment program.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Valley County Commissioners require 100% security on money held in financial institutions by the Treasurer of Valley County. The County government is considered to have \$250,000 FDIC insurance per financial institution per public unit. Therefore, the School is considered to have \$250,000 FDIC insurance.

As of June 30, 2014, the school's bank balance was exposed to custodial credit risk as follows:

Insured	\$ 281,451
Uninsured and collateral held by the pledging financial institution's agent but in the name of the Treasurer of Valley County	476,448
Total	<u>\$ 757,899</u>

NOTE D - CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2014 is as follows:

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Land and Improvements	\$ 54,305	\$ -	\$ -	\$ 54,305
Buildings and Improvements	1,433,571	86,677	-	1,520,248
Machinery and Equipment	492,262	10,176	10,583	491,855
Total Capital Assets at historical cost	<u>1,980,138</u>	<u>96,853</u>	<u>10,583</u>	<u>2,066,408</u>

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE D - CAPITAL ASSETS (Continued)

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Less Accumulated Depreciation for:				
Land Improvements	\$ 25,715	\$ 2,213	\$ -	\$ 27,928
Buildings and Improvements	918,031	51,138	-	969,169
Machinery and Equipment	280,243	48,560	10,583	318,220
Total Accumulated Depreciation	<u>1,223,989</u>	<u>101,911</u>	<u>10,583</u>	<u>1,315,317</u>
Capital Assets, Net	<u>\$ 756,149</u>	<u>\$ (5,058)</u>	<u>\$ -</u>	<u>\$ 751,091</u>

Depreciation expense was charged to functions as follows:

School administration	\$ 2,452
Transportation	46,108
Unallocated	53,351
Total depreciation expense	<u>\$ 101,911</u>

NOTE E - RETIREMENT PLANS

The School participates in two state-wide, cost-sharing, multiple-employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teacher's Retirement System (TRS) covers certified teaching employees, including principals and superintendents. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

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

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154

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

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

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. These are considered on-behalf payments. The School does not record these contributions in their financial statements.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E - RETIREMENT PLANS (Continued)

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 65,596	\$ 65,569	\$ 72,323
PERS	19,833	18,580	21,540
Total	<u>\$ 85,429</u>	<u>\$ 84,149</u>	<u>\$ 93,863</u>

NOTE F - LONG-TERM LIABILITIES

Compensated Absences Payable

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows:

	<u>Balance 7-1-13</u>	<u>Increase (Decrease)</u>	<u>Balance 6-30-14</u>
Vacation and Sick Leave	<u>\$ 63,028</u>	<u>\$ (12,489)</u>	<u>\$ 50,539</u>

Compensated absences are liquidated out of the same governmental funds used to pay each individual employee's salary.

NOTE G - DUE FROM OTHER GOVERNMENTS

The Due From Other Governments consist of the following:

	<u>Due From Other Governments</u>
Miscellaneous Programs Fund	
Grant revenue and expense reimbursement to be received	\$ 448
Traffic Education	
State reimbursement	583
Total	<u>\$ 1,031</u>

NOTE H - CONTINGENT LIABILITIES

The School is mandated to bring the school up to federal asbestos specifications. The cost of implementing all inspection recommendations cannot be determined at this time. An asbestos management program is regularly monitored, updated, and on file in regards to federal specifications.

NOTE I - RISK MANAGEMENT

The School 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 is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities. The School participates in one state-wide public risk pool operated by the Workers' Compensation Risk Retention Program for workers' compensation coverage. And, given the lack of coverage available, the School has no coverage for potential losses from environmental damages.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I - RISK MANAGEMENT (Continued)

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated between the school's General Fund and Transportation Fund (a special revenue fund). The premiums for the employee medical plan are allocated to the appropriate funds based on salaries paid from the funds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In August 1992, the School joined together with other Montana schools and became a member of the Montana Schools Group Insurance Authority. This is a public entity risk pool which offers workers' compensation coverage under the Workers' Compensation Risk Retention Program. The pool currently operates as a common risk management and insurance program for member schools. The program offers medical benefits, partial and total disability benefits, death benefits, and rehabilitation benefits. The School pays an annual premium for its employee injury insurance coverage, which is allocated to the schools' funds based on total budgeted salaries and wages. The agreement for the formation of the pool provides that it will be self-sustaining through member premiums.

NOTE J - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirees may remain on the School's health plan to age 65, provided they pay the monthly premiums. State law requires the School to provide this benefit. No cost has been estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in higher premium rates for the plan. The potential cost is considered immaterial to the School's financial statements. There are no retired employees using this benefit.

NOTE K - GOVERNMENTAL FUND BALANCES

The School's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

Nonspendable - Balances that either are not in spendable form or are legally or contractually required to remain intact.

Restricted - Balances that are restricted for specific purposes by the constitution, enabling governing body or external resource providers such as creditors, grantors, or laws or regulations of other governments.

Committed - Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the school board of trustees.

Assigned - Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Residual balances that are not contained in the other classifications.

NOTE L - FUND BALANCES AND RESTRICTED NET POSITION

Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE L - FUND BALANCES AND RESTRICTED NET POSITION (Continued)

Fund Balances for 2014:

	General Fund	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>				
Inventory	\$ 40,298	\$ -	\$ 6,408	\$ 46,706
Total Nonspendable	40,298	-	6,408	46,706
<u>Restricted for:</u>				
Transportation	-	-	47,467	47,467
Bus Replacement	-	323,367	-	323,367
Retirement	-	-	40,262	40,262
Misc. Grants	-	-	44,037	44,037
Education	-	-	7,242	7,242
Comp Absences	-	-	7,561	7,561
Technology Acquisition	-	-	25,370	25,370
Facility Improvement	-	-	16,289	16,289
Food	-	-	3,402	3,402
Total Restricted	-	323,367	191,630	514,997
<u>Unassigned</u>	212,579	-	-	212,579
Total Fund Balances	\$ 252,877	\$ 323,367	\$ 198,038	\$ 774,282

The School is required by law or contract that certain assets be restricted for a specific purpose. The School classifies the net position of these funds as restricted net position.

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

<u>Restricted for:</u>	
Transportation	\$ 48,038
Bus Replacement	324,117
Retirement	40,262
Misc. Grants	44,140
Education	7,242
Comp Absences	7,561
Technology Acquisition	25,519
Facility Improvement	16,289
Food	3,402
Total Restricted	\$ 516,570

NOTE M - SUBSEQUENT EVENTS

The School recognizes all effects of subsequent events that provide additional evidence about conditions that existed as of June 30, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of June 30, 2014, but arose after that date and prior to issuance are not recognized in these financial statements other than disclosure. There were no subsequent events that are required to be disclosed as of June 30, 2014. The School evaluates the subsequent events through the date of the audit report.

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE N - DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

On the Balance Sheet for the governmental funds, taxes levied but not collected are classified as deferred inflow of resources as these funds were not collected and available within the reporting period. This account is eliminated on the Government Wide Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund				Budget to GAAP Differences Over (Under)	Flexibility Fund	Actual Amounts GAAP Basis
	Budgeted Amounts		Actual Amounts	Variance			
	Original	Final	Budgetary Basis	From Final Budget			
Revenues							
District Levy	\$ 398,344	\$ 398,344	\$ 397,546	\$ (798)	\$ -	\$ -	\$ 397,546
Penalty/Interest on Delinquent Taxes	-	-	423	423	-	-	423
Tuition	-	-	5,928	5,928	-	-	5,928
Interest Earnings	659	659	284	(375)	-	45	329
Miscellaneous	2,655	2,655	2,908	253	-	-	2,908
State Sources	481,346	481,346	481,344	(2)	-	10,197	491,541
Total Revenues	<u>883,004</u>	<u>883,004</u>	<u>888,433</u>	<u>5,429</u>	<u>-</u>	<u>10,242</u>	<u>898,675</u>
Expenditures							
Current:							
Instruction:							
Regular Programs	340,975	340,975	348,558	(7,583)	-	-	348,558
Special Programs	47,900	47,900	46,383	1,517	-	-	46,383
Vocational Programs	14,900	14,900	12,815	2,085	-	-	12,815
Supporting services:							
Student	9,800	9,800	16,635	(6,835)	-	-	16,635
Instructional staff	3,650	3,650	3,201	449	-	-	3,201
Library	41,660	41,660	29,512	12,148	-	-	29,512
School administration	111,220	111,220	121,470	(10,250)	-	-	121,470
Business	53,550	53,550	51,185	2,365	-	-	51,185
Operation and maintenance	200,750	200,750	184,630	16,120	-	-	184,630
School food services	47,650	47,650	53,157	(5,507)	-	-	53,157
Extracurricular	31,130	31,130	28,370	2,760	-	-	28,370
Capital outlay	91,088	91,088	30,374	60,714	(45,180)	-	75,554
Total Expenditures	<u>994,273</u>	<u>994,273</u>	<u>926,290</u>	<u>67,983</u>	<u>(45,180)</u>	<u>-</u>	<u>971,470</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (111,269)</u>	<u>\$ (111,269)</u>	<u>(37,857)</u>	<u>\$ 73,412</u>	<u>\$ (45,180)</u>	<u>10,242</u>	<u>(72,795)</u>
Fund Balance, Beginning of Year			251,429			25,462	322,071
Change in Inventory			3,601			-	3,601
Adjusted Fund Balance, Beginning of Year			<u>255,030</u>			<u>25,462</u>	<u>325,672</u>
Fund Balance, End of Year			<u>\$ 217,173</u>			<u>\$ 35,704</u>	<u>\$ 252,877</u>

Explanation of differences:

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.

\$ (45,180)

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

A budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other Governmental Fund Types classified by State law as budgeted funds. Each budget is presented on the modified accrual basis of accounting, utilizing encumbrances as described in Note A of the Notes to the Financial Statements, which is not consistent with generally accepted accounting principles. All budgets are formulated in accordance with State law. The General Fund budget is based on the State's Foundation Program, which is designed to equalize taxing effort throughout the State and bases the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund.

The Flex Fund did not meet the clarified definition of a special revenue fund and therefore must be incorporated into the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Budgetary comparison schedules are presented for the General Fund and major Special Revenue Funds legally requiring an adopted budget. Those funds not legally required to have an adopted budget are not presented in the Budgetary Comparison Schedule. Major funds requiring an adopted budget are the General and Bus Depreciation Fund. There were no other major Special Revenue funds.

OPHEIM PUBLIC SCHOOLS
 VALLEY COUNTY
 OPHEIM, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Bus Depreciation Fund			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	From Final Budget
Revenues				
District Levy	\$ 52,065	\$ 52,065	\$ 51,908	\$ (157)
Penalty/Interest on Delinquent Taxes	-	-	56	56
interest Earnings	-	-	432	432
Miscellaneous	-	-	142	142
Total Revenues	<u>52,065</u>	<u>52,065</u>	<u>52,538</u>	<u>473</u>
Expenditures				
Capital outlay	<u>322,894</u>	<u>322,894</u>	-	<u>322,894</u>
Total Expenditures	<u>322,894</u>	<u>322,894</u>	-	<u>322,894</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (270,829)</u>	<u>\$ (270,829)</u>	52,538	<u>\$ 323,367</u>
Fund Balance, Beginning of Year			<u>270,829</u>	
Fund Balance, End of Year			<u>\$ 323,367</u>	

SUPPLEMENTARY INFORMATION

OPHEIM PUBLIC SCHOOLS
 VALLEY COUNTY
 OPHEIM, MONTANA
 EXTRACURRICULAR FUND
 STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID
 ALL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2014

Fund Account	Beginning Balance	Revenues Collected	Expenditures Paid	Transfers In (Out)	Ending Balance
Athletics	\$ 4,525	\$ 3,917	\$ 3,669	\$ (493)	\$ 4,280
Business Publication	6,739	4,259	3,276	-	7,722
Class of 2013	527	-	-	(527)	-
Class of 2014	881	2,195	2,402	(674)	-
Class of 2015	61	28	99	36	26
Class of 2016	-	-	-	27	27
Class of 2017	243	-	-	13	256
Class of 2018	426	1,953	1,166	46	1,259
Class of 2019	-	-	-	591	591
Concessions	910	-	-	-	910
Legislative Trip	1,254	1	209	527	1,573
Lego League	520	-	-	-	520
Library	592	22	100	-	514
MCT	2,469	1,191	2,614	-	1,046
Music	705	6,226	5,022	-	1,909
National Honor Society	103	30	-	-	133
Science	601	-	-	-	601
Speech/Drama	1,119	536	173	-	1,482
Student Council	2,699	3,718	4,354	219	2,282
FFA	1,899	2,548	793	-	3,654
BPA	1,776	6,217	5,762	235	2,466
Total	<u>\$ 28,049</u>	<u>\$ 32,841</u>	<u>\$ 29,639</u>	<u>\$ -</u>	<u>\$ 31,251</u>

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
SCHEDULE OF STUDENT ENROLLMENT

	<u>Per District Records</u>	<u>Per Enrollment Report</u>
Fall Enrollment 10/13		
Elementary School District:		
Kindergarten	4	4
Grades 1 - 6	21	21
Grades 7 - 8	10	10
Total Elementary	<u>35</u>	<u>35</u>
High School District:		
Grades 9 - 12	<u>10</u>	<u>10</u>
Winter Enrollment 12/13		
Elementary School District:		
Kindergarten	4	4
Grades 1 - 6	21	21
Grades 7 - 8	10	10
Total Elementary	<u>35</u>	<u>35</u>
High School District:		
Grades 9 - 12	<u>10</u>	<u>10</u>
Spring Enrollment 2/14		
Elementary School District:		
Kindergarten	4	4
Grades 1 - 6	21	21
Grades 7 - 8	10	10
Total Elementary	<u>35</u>	<u>35</u>
High School District:		
Grades 9 - 12	<u>10</u>	<u>10</u>

ADDITIONAL REPORTS



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

741 Third Avenue South
Glasgow, Montana 59230
406-228-9391
FAX: 406-228-2063
1-800-755-2467
E-MAIL: glasgow@chmspc.com

Richard A. Wiens, CPA
Doris M. Leader, CPA
Diana W. Mattfeldt, CPA

**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**

The Board of Trustees
Opheim Public Schools
Valley County
Opheim, 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 Opheim Public Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Opheim Public Schools' basic financial statements, and have issued our report thereon dated June 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Opheim Public Schools' 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 Opheim Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Opheim Public Schools' 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 as Finding #1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Opheim Public Schools' 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*.

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.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

June 5, 2015

OPHEIM PUBLIC SCHOOLS
VALLEY COUNTY
OPHEIM, MONTANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Significant Deficiency

FINDING #1 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN

Condition

There is an absence of segregation of duties appropriate for a strong system of internal control.

Criteria

Internal Controls should be in place segregating the functions of:

1. Authorizing,
2. Recording,
3. Custody of Assets,
4. and Reconciling.

Cause

The size of the entity prevents adequate segregation of duties.

Effect

A material misstatement in the financial statements due to error, abuse or fraud may not be detected and corrected in a timely manner.

Recommendation

The School has implemented compensating controls to the extent practical, and we are not recommending further action by the Board of Trustees. We believe the Board should be aware that this condition results in a greater risk of errors occurring and not being identified within a timely period, than would be the case if duties were appropriately segregated.

Response

No response required.

Status of Prior Year Comments

<u>Finding</u>	<u>Status</u>
Segregation of Duties	No implementation necessary