

PARK CITY SCHOOL DISTRICT NO. 5

**STILLWATER COUNTY
PARK CITY, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Park City School District No. 5
Stillwater County
Park City, Montana 59063

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Park City School District No. 5
Stillwater County
Park City, Montana 59063

ORGANIZATION

BOARD OF TRUSTEES

Scott Robbie	Chair
Mike Baker	Trustee
Richard Popp	Trustee
Laurie McNeil	Trustee
Kristi Lowell	Trustee

OFFICIALS

Pat Audet	Superintendent
Kathy Alexander	District Clerk
Judy Martin	County Superintendent
John Petak	County Attorney

**PARK CITY SCHOOL DISTRICT #5
STILLWATER COUNTY
PARK CITY, MT 59063**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

THIS SECTION OF PARK CITY SCHOOL'S ANNUAL FINANCIAL REPORT PRESENTS OUR DISCUSSION AND ANALYSIS OF THE DISTRICT'S FINANCIAL PERFORMANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

FINANCIAL HIGHLIGHTS

THE DISTRICT'S FINANCIAL POSITION WAS RATHER STABLE IN 2014. EFFORTS WERE MADE TO UPDATE THE TECHNOLOGICAL CAPABILITIES FOR THE SCHOOL DISTRICT CLASSROOMS. A TECHNOLOGY LEVY ELECTION WAS HELD AND PASSED RESULTING IN THE PURCHASE OF ADDITIONAL CHROMEBOOKS AS WELL AS UPDATING THE NETWORK CAPABILITIES FOR CLASSROOMS. THE DISTRICT ALSO STRIVES TO MAINTAIN AN UPDATED CURRICULUM FOR THE STUDENTS AS WELL. THE DISTRICT CONTINUES OPERATE WITHOUT ASKING THE TAXPAYERS TO PASS AN OPERATING LEVY AND STRIVES TO CONTINUE TO DO SO.

USING THIS FINANCIAL REPORT

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 PROVIDES INFORMATION ABOUT THE ACTIVITIES OF THE DISTRICT AS A WHOLE AND PRESENTS A LONG-TERM VIEW OF THE DISTRICT'S FINANCES.

FUND FINANCIAL STATEMENTS PRESENT A SHORT-TERM VIEW OF THE DISTRICT'S ACTIVITIES. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRE THAT ONLY MAJOR FUNDS ARE DISCLOSED IN THESE FINANCIAL STATEMENTS. THESE STATEMENTS PROVIDE DETAILED INFORMATION ABOUT THE DISTRICT'S GENERAL, BUS DEPRECIATION, RETIREMENT AND OTHER GOVERNMENT FUNDS. ALSO ATTACHED ARE SUMMARIZED FINANCIAL REPORTS ABOUT THE STUDENT ACTIVITY FUNDS WHICH THE DISTRICT OVERSEES.

THE DISTRICT AS A WHOLE

ONE IMPORTANT QUESTION ASKED ABOUT THE DISTRICT'S FINANCES IS, "IS THE DISTRICT BETTER OR WORSE OFF AS A RESULT THE YEAR'S ACTIVITIES?" THE 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.

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, 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. 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 & FIDUCIARY RESPONSIBILITIES

THE DISTRICT IS THE TRUSTEE, OR FIDUCIARY, FOR THE STUDENT ACTIVITIES FUND. THIS REPORT INCLUDES THE ACTIVITIES IN A SEPARATE STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION BECAUSE THE DISTRICT CANNOT USE THESE ASSETS TO FUND ITS OPERATIONS. THE DISTRICT IS RESPONSIBLE FOR ENSURING THESE ASSETS ARE USED FOR THEIR INTENDED PURPOSE.

BUDGET-TO-ACTUAL COMPARISONS

THE BUDGETARY COMPARISON SCHEDULES SHOW HOW ACTUAL EXPENDITURES COMPARED TO THE ORIGINAL AND FINAL BUDGETED EXPENDITURES FOR THE GENERAL FUND. ACTUAL AMOUNTS FOR DISTRICT PROPERTY TAXES, STATE REVENUE, AND INTEREST WERE LESS THAN EXPECTED.

ANALYSIS OF FINANCIAL INFORMATION

AREAS OF FUTURE CONCERN AS ALWAYS INCLUDE MAINTAINING A QUALIFIED TEACHING STAFF FOR THE DISTRICT TO MEET CURRENT ACCREDITATION STANDARDS AS WELL AS SALARIES. CURRENTLY THE SCHOOL LEASES ONE SINGLE WIDE MODULAR, AND PURCHASED THE TWO DOUBLE WIDE MODULARS; THESE HAVE EASED THE OVERCROWDING, HOWEVER THESE CONTINUE TO BE A FINANCIAL DRAIN ON THE GENERAL FUND TO LEASE AND PURCHASE AS WELL AS MAINTAIN. THE SCHOOL DISTRICT IS CURRENTLY IN THE PROCESS OF A FACILITIES MASTER PLAN AND WILL STRIVE TO GET VOTER APPROVAL FOR VARIOUS FACILITY UPDATES AND ADDITIONS. THE DISTRICT CURRENTLY OWNS A PARCEL OF LAND, APPROXIMATELY TWENTY ACRES; THIS LAND PARCEL IS BEING LEASED BY A LOCAL FARMER. THROUGHOUT THE FACILITY STUDY THE COMMITTEE MEMBERS AND LOCAL CITIZENS HAVE DETERMINED THAT BUILDING A NEW FACILITY IS TOO COSTLY; THE CONSENSUS WAS TO UPDATE THE CURRENT FACILITY AND EXPAND A BUILDING ADDITION INTO THE CURRENT PARKING LOT: OF COURSE THIS ALL RESTS ON VOTER APPROVAL.

CONTACT FOR FURTHER INFORMATION

IF YOU HAVE QUESTIONS ABOUT THIS REPORT OR NEED ADDITIONAL INFORMATION, CONTACT THE SUPERINTENDENT OR CLERK AT PARK CITY SCHOOLS, P. O. BOX 278, 10 2ND AVENUE SW, PARK CITY, MT 59063, 406-633-2350.

Park City School District No. 5
 Stillwater County
 Park City, Montana 59063
 For the Year Ended June 30, 2014

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities			
	<u>2013</u>	<u>2014</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Current Assets	\$ 1,005,319	\$ 979,303	\$ (26,016)	-2.59%
Capital Assets, net	<u>1,142,879</u>	<u>1,106,601</u>	<u>(36,278)</u>	<u>-3.17%</u>
Total Assets	2,148,198	2,085,904	(62,294)	-2.90%
Current Liabilities	31,928	31,525	(403)	-1.26%
Long Term Liabilities	<u>269,778</u>	<u>211,341</u>	<u>(58,437)</u>	<u>-21.66%</u>
Total Liabilities	301,706	242,866	(58,840)	-19.50%
Net Position:				
Net Investment in Capital Assets	1,022,355	1,007,108	(15,247)	-1.49%
Restricted	776,928	730,053	(46,875)	-6.03%
Unrestricted	<u>47,209</u>	<u>105,877</u>	<u>58,668</u>	<u>124.27%</u>
Total Net Position	1,846,492	1,843,038	(3,454)	-0.19%

CHANGES IN NET POSITION	Governmental Activities			
	<u>2013</u>	<u>2014</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	73,871	70,276	(3,595)	-4.87%
Operating Grants	257,220	294,244	37,024	14.39%
General Revenues:				
District Levies	699,460	635,784	(63,676)	-9.10%
State Equalization	1,067,922	1,121,137	53,215	4.98%
Other State Revenues	791,875	816,538	24,663	3.11%
County	252,209	271,269	19,060	7.56%
Interest	3,988	4,718	730	18.32%
Other	<u>10,360</u>	<u>4,599</u>	<u>(5,761)</u>	<u>-55.61%</u>
Total Revenues	3,156,905	3,218,565	61,660	1.95%
Program Expenses				
Instructional Services	1,733,841	1,795,409	61,568	3.55%
Support Services	55,448	58,239	2,791	5.03%
Educational Media Services	56,042	34,552	(21,490)	-38.35%
General Administrative Services	288,840	297,954	9,114	3.16%
Operation & Maintenance Services	351,257	346,131	(5,126)	-1.46%
Transportation Services	395,251	387,927	(7,324)	-1.85%
School Food Services	146,106	138,564	(7,542)	-5.16%
Extracurricular	127,752	130,775	3,023	2.37%
Other Current Charges	200	100	(100)	-50.00%
OPEB	4,631	-	(4,631)	-100.00%
Interest and other charges	844	4,358	3,514	416.35%
Unallocated Depreciation Expense *	<u>30,511</u>	<u>30,513</u>	<u>2</u>	<u>0.01%</u>
Total Expenses	<u>3,190,723</u>	<u>3,224,521</u>	<u>33,798</u>	<u>1.06%</u>
Change in Net Position	<u>(33,818)</u>	<u>(5,955)</u>	<u>27,863</u>	

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Park City School District No. 5
Stillwater County
Park City, Montana 59063

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 Park City School District No. 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Park City School District No. 5 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Park City School District No. 5's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 32) and schedule of reported enrollment (page 33) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015 on our consideration of Park City School District No. 5 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 Park City School District No. 5 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
May 15, 2015

STATEMENT OF NET POSITION
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 933,256
Taxes Receivable	46,043
Due From Other Governments	<u>5</u>
Total Current Assets	<u>979,304</u>
Capital Assets:	
Land	525,048
Net Depreciable Assets	<u>581,553</u>
Total Noncurrent Assets	<u>1,106,601</u>
Total Assets	<u>\$ 2,085,905</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	\$ 2,534
Current Portions Compensated Absences	9,317
Current Portion Long-Term Capital Obligations	<u>19,675</u>
Total Current Liabilities	<u>31,526</u>
Noncurrent Liabilities:	
Long-Term Obligations	14,710
Compensated Absences	116,813
Long-Term Capital Obligations	<u>79,818</u>
Total Noncurrent Liabilities	<u>211,341</u>
Total Liabilities	<u>242,867</u>
NET POSITION:	
Net investment in capital assets	1,007,108
Restricted	730,053
Unrestricted (Deficit)	<u>105,877</u>
Total Net Position	<u>1,843,038</u>
Total Liabilities and Net Position	<u>\$ 2,085,905</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 1,787,396	\$ 295	\$ 209,446	\$ (1,577,655)
Support Services	58,238	-	-	(58,238)
Educational Media Services	34,552	-	-	(34,552)
General Administrative Services	297,953	-	-	(297,953)
Operation & Maintenance Services	354,145	450	1,950	(351,745)
Transportation Services	387,927	-	41,163	(346,764)
School Food Services	138,564	69,531	41,684	(27,349)
Extracurricular	130,776	-	-	(130,776)
Other Current Charges	100	-	-	(100)
Debt Service				
Interest and other charges	4,358	-	-	(4,358)
Unallocated Depreciation Expense *	30,513	-	-	(30,513)
Total Governmental Activities	3,224,522	70,276	294,243	(2,860,003)
GENERAL REVENUES				
District Levies				635,784
State Equalization				1,121,136
Other State Revenues				816,539
County				271,269
Interest				4,720
Other				4,600
Gain on Sale of Assets				2,350
Total General Revenues				2,856,398
Change in Net Position				(3,605)
Net Position				
Beginning of the Year				1,846,492
Prior Period Adjustments				151
End of the Year				\$ 1,843,038

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Transportation (Elem.)	Bus Depreciation (Elem.)	Bus Depreciation (HS)		
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 232,353	\$ 74,140	\$ 145,938	\$ 151,692	\$ 329,133	\$ 933,256
Taxes Receivable	18,495	11,404	2,414	854	12,876	46,043
Due From Other Governments	-	-	-	-	5	5
Total Assets	\$ 250,848	\$ 85,544	\$ 148,352	\$ 152,546	\$ 342,014	\$ 979,304
LIABILITIES:						
Current Liabilities						
Other Current Liabilities	-	-	-	-	2,534	2,534
Total Liabilities	-	-	-	-	2,534	2,534
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	18,495	11,404	2,414	854	12,876	46,043
Total Deferred Inflows of resources	18,495	11,404	2,414	854	12,876	46,043
FUND BALANCE:						
Fund Balances:						
Restricted	-	74,140	145,938	151,692	328,105	699,875
Unassigned:	232,353	-	-	-	(1,501)	230,852
Total Fund Balance	232,353	74,140	145,938	151,692	326,604	930,727
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 250,848	\$ 85,544	\$ 148,352	\$ 152,546	\$ 342,014	\$ 979,304

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 930,727
Governmental Capital Assets	1,106,601
Long-term Liabilities	
Long-Term Obligations	(14,710)
Compensated Absences	(126,130)
Long-Term Capital Obligations	(99,493)
Unavailable Property Taxes Receivable	46,043
Net Position of Governmental Activities	\$ 1,843,038

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

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

	MAJOR					Total Governmental Funds
	General	Transportation (Elem.)	Bus Depreciation (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
REVENUES:						
District Levies	\$ 288,804	\$ 122,367	\$ 25,836	\$ 26,388	\$ 170,348	\$ 633,743
Interest	841	176	262	287	3,154	4,720
Charges for Services	-	-	-	-	72,226	72,226
Other	3,635	276	-	-	1,325	5,236
County	-	10,160	-	-	281,525	291,685
State	2,021,176	13,460	-	-	28,382	2,063,018
Federal	-	-	-	-	145,898	145,898
Total Revenues	2,314,456	146,439	26,098	26,675	702,858	3,216,526
EXPENDITURES:						
Current						
Instructional Services	1,455,784	-	-	-	363,339	1,819,123
Support Services	51,165	-	-	-	7,073	58,238
Educational Media Services	31,110	-	-	-	3,442	34,552
General Administrative Services	271,611	-	-	-	29,923	301,534
Operation & Maintenance Services	320,050	-	-	-	34,490	354,540
Transportation Services	357	171,061	-	-	187,989	359,407
School Food Services	17,948	-	-	-	121,103	139,051
Extracurricular	119,720	-	-	-	9,897	129,617
Other Current Charges	-	-	-	-	100	100
Debt Service						
Principal	21,031	-	-	-	-	21,031
Interest and other charges	4,358	-	-	-	-	4,358
Capital Outlay	10,015	-	-	-	17,900	27,915
Total Expenditures	2,303,149	171,061	-	-	775,256	3,249,466
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,307	(24,622)	26,098	26,675	(72,398)	(32,940)
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	2,350	-	-	-	-	2,350
Fund Transfers In	3,796	-	-	-	-	3,796
Fund Transfers (Out)	-	-	-	-	(3,796)	(3,796)
Total Other financial Sources/Uses	6,146	-	-	-	(3,796)	2,350
NET CHANGES IN FUND BALANCES	17,453	(24,622)	26,098	26,675	(76,194)	(30,590)
FUND BALANCE:						
Beginning of the Year	206,780	98,762	119,840	125,017	410,918	961,317
Prior Period Adjustments	8,120	\$ -	\$ -	\$ -	(8,120)	-
End of the Year	\$ 232,353	\$ 74,140	\$ 145,938	\$ 151,692	\$ 326,604	\$ 930,727

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

Park City School District No. 5
Stillwater County
Park City, Montana 59063

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

Net Changes in Fund Balance		\$	(30,590)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			2,041
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(64,344)		
(Increase) decrease in Other Post Employment Benefits	(2,942)		
(Increase) decrease in compensated absence liability	<u>43,284</u>		(24,002)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	27,915		
Principal payments on bonds	<u>21,031</u>		<u>48,946</u>
Change in net position reported on the Statement of Activity		\$	<u>(3,605)</u>

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 85,526	\$ 134,233
Total Assets	<u>85,526</u>	<u>134,233</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	134,233
Total Liabilities	<u>-</u>	<u>134,233</u>
NET POSITION:		
Restricted for Endowment	5,943	
Restricted for Student Activities	79,583	
Total Net Position	<u>\$ 85,526</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET
 POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 154,657
Contributions to Endowment	16
Total Additions	<u>154,673</u>
DEDUCTIONS:	
Expenses of Student Activities	157,477
Total Deductions	<u>157,477</u>
CHANGE IN NET POSITION	(2,804)
NET POSITION:	
Beginning of the Year	88,330
End of the Year	<u>\$ 85,526</u>

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

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Park City School District No. 5 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

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

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

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

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

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

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

PARK CITY SCHOOL DISTRICT NO. 5

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

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

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

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

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

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

1. b. 2 FUND ACCOUNTING

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

PARK CITY SCHOOL DISTRICT NO. 5

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

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

1. b. 3 OTHER FUND TYPES

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

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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

1. c. 1 CASH AND INVESTMENTS

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

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

1. c. 2 TAXES

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

1. c. 3 INVENTORIES

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

PARK CITY SCHOOL DISTRICT NO. 5

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	25 – 50 years
Machinery and Equipment	5 – 30 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified employees can accumulate up to 80 days of sick leave and upon termination are paid out according to the number of years of service: after 5 years of service receive 25% of accumulated balances increasing to 50% after 30 years of service.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$9,317 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

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

PARK CITY SCHOOL DISTRICT NO. 5

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

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 70,785
Student Transportation	315,690
Third Party Grantor Restrictions	69,241
Employer Retirement Benefits	79,967
Future Technology	12,745
Future Capital Costs	151,447
Total	<u>\$ 699,875</u>

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 934,757	\$ 219,759	\$ 1,154,516
Fund Overdraft	(1,501)	0	(1,501)
Total	<u>\$ 933,256</u>	<u>\$ 219,759</u>	<u>\$ 1,153,015</u>

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

	<u>Amount</u>
Demand Accounts	\$ 79,582
County Investment Pool	1,073,433
Total	<u>\$ 1,153,015</u>

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

The cash of the extracurricular funds is held separately by the School District, not at the Stillwater County. As of June 30, 2014, \$79,582 was exposed to custodial credit risk and was covered by FDIC insurance.

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$3,353,908 for the Elementary School District and \$3,341,234 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	58.49	\$ 15,865
Transportation*	36.79	11,404
Bus Depreciation*	7.79	2,414
Tuition	0.00	323
Adult Education	3.11	375
Technology	2.15	1,021
<u>High School Fund</u>		
General*	29.01	2,630
Transportation	39.06	3,484
Bus Depreciation*	7.82	854
Tuition	3.03	151
Adult Education	3.13	4,189
Technology	2.16	3,333
Total	<u>192.54</u>	<u>\$ 46,043</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Adult Education	\$ 5	Federal government	Software problems

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 525,048	\$ 0	\$ 0	\$ 0	\$ 525,048
<u>Depreciable:</u>					
Buildings	\$ 1,246,007	\$ 0	\$ 0	\$ 0	\$ 1,246,007
Machinery and equipment	589,290	27,915	5,100	0	612,105
Total Depreciable	\$ 1,835,297	\$ 27,915	\$ 5,100	\$ 0	\$ 1,858,112
<u>Accumulated Depreciation:</u>					
Buildings	\$ (839,660)	\$ (25,803)	\$ 0	\$ 0	\$ (865,463)
Machinery and equipment	(377,806)	(38,541)	(5,100)	(151)	(411,096)
Total Depreciation	\$ (1,217,466)	\$ (64,344)	\$ (5,100)	\$ (151)	\$ (1,276,559)
Net Depreciable Assets	617,831	(36,429)	0	151	581,553
Net General Capital Assets	\$ 1,142,879	\$ (36,429)	\$ 0	\$ 151	\$ 1,106,601

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

<u>Function</u>	<u>Amount</u>
Transportation	\$ 31,201
School Food	1,471
Extracurricular	1,159
Unallocated	30,513
Total Depreciation Expense	<u>\$ 64,344</u>

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 6. CURRENT LIABILITIES

6. a. DUE TO OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due To</u>	<u>Reason</u>
School Food Services	\$ 2,286	Federal Government	Software problems
Miscellaneous	123	Federal Government	Software problems
<u>High School Fund</u>			
Miscellaneous	125	Federal Government	Software problems
Total	<u>\$ 2,534</u>		

* Denotes Major Funds

NOTE 7. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
Loan Payable	\$ 120,524	\$ 0	\$ 21,031	\$ 99,493	\$ 19,675
Total Bonds and Notes Payable	<u>\$ 120,524</u>	<u>\$ 0</u>	<u>\$ 21,031</u>	<u>\$ 99,493</u>	<u>\$ 19,675</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 169,414	\$ 0	\$ 43,284	\$ 126,130	\$ 9,317
Other Post-Employment Benefits (OPEB)	11,768	2,942	0	14,710	0
Total Other Liabilities	<u>\$ 181,182</u>	<u>\$ 2,942</u>	<u>\$ 43,284</u>	<u>\$ 140,840</u>	<u>\$ 9,317</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 301,706</u>	<u>\$ 2,942</u>	<u>\$ 64,315</u>	<u>\$ 240,333</u>	<u>\$ 28,992</u>

7. b. LOAN PAYABLE

The School District entered into two loan in prior years with Yellowstone Bank for the acquisition of two modular classroom buildings. Total payments made in fiscal year 2014 were \$25,389 which included \$4,358 of interest. The loan was issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Modular loan	2/2013	3.95%	6 years	2/2019	\$ 48,920	\$ 38,032
Modular loan	5/2013	3.95%	6 years	5/2019	75,740	61,461
					<u>\$ 124,660</u>	<u>\$ 99,493</u>

Debt service requirements to maturity for principal and interest for all InterCap long term obligations are as follows:

For the year
ended 6/30:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 19,675	\$ 3,690
2016	20,459	2,906
2017	21,290	2,075
2018	22,146	1,219
2019	15,923	344
Totals	<u>\$ 99,493</u>	<u>\$ 10,234</u>

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 8. DEFERRED INFLOWS OF RESOURCES

8. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 15,865	Taxes Receivable
Transportation*	11,404	Taxes Receivable
Bus Depreciation*	2,414	Taxes Receivable
Tuition	323	Taxes Receivable
Adult Education	375	Taxes Receivable
Technology	1,021	Taxes Receivable
<u>High School Fund</u>		
General*	2,630	Taxes Receivable
Transportation	3,484	Taxes Receivable
Bus Depreciation*	854	Taxes Receivable
Tuition	151	Taxes Receivable
Adult Education	4,189	Taxes Receivable
Technology	3,333	Taxes Receivable
Total	<u>\$ 46,043</u>	

* Denotes Major Funds

NOTE 9. OPERATING LEASES

The School District entered into an operating lease in prior years with Pierce Leasing for the use of a modular classroom. The lease is a month by month lease with monthly payments of \$655 and no buyout at the end of the lease. Total lease payments in fiscal year 2014 were \$7,860. The future commitment to the School District is as follows:

Total minimum lease payments	\$	7,860
Less: amount representing interest		<u>0</u>
Present value of net minimum lease payments	\$	<u>7,860</u>

NOTE 10. DEFICIT FUND BALANCES

<u>Elementary Fund</u>	<u>Amount</u>	<u>How to Correct</u>
School Food	\$ (1,501)	Increase fees

NOTE 11. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 4,175	To include EL flexibility fund as general
Flexibility*	(4,175)	To include EL flexibility fund as general
<u>High School Fund</u>		
General*	3,945	To include HS flexibility fund as general
Flexibility*	(3,945)	To include HS flexibility fund as general
Total	<u>\$ 0</u>	

* Denotes Major Funds

Governmental Type Activities	<u>151</u>	Capital asset adjustment
Total	<u>\$ 151</u>	

NOTE 12. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Compensated Absences	\$ 2,437	General* - to keep comp. abs. fund within allowable limits
<u>High School Fund - From</u>		<u>High School Fund - To</u>
Compensated Absences	1,359	General* - to keep comp. abs. fund within allowable limits
Total	<u>\$ 3,796</u>	

* Denotes Major Funds

PARK CITY SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)

Fiscal Year-Ended June 30, 2014

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$7,200 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of July 1, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$	20,606
Actuarial value of plan assets		<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)		<u>20,606</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	1,807,054
UAAL as a percentage of covered payroll		1%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2013.

Annual Required Contribution (ARC)	\$	2,942
Interest on net OPEB obligation		0
Adjustment to ARC		<u>0</u>
Annual OPEB cost (expense)		2,942
Contribution made		<u>0</u>
Increase in net OPEB obligation		2,942
Net OPEB obligation - beginning of year		<u>11,768</u>
Net OPEB obligation - end of year	\$	<u>14,710</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.0%
Average Salary Increase	3.85%
Health care cost rate trend Year 2015 and after	3.0%

NOTE 14. RISK MANAGEMENT

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

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

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 231,285	\$ 240,374	\$ 277,475
PERS	42,234	37,721	43,792
Total	<u>\$ 273,519</u>	<u>\$ 278,095</u>	<u>\$ 321,267</u>

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The Park City School District No. 5 is a member of the Stillwater/Sweet Grass Special Education Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Park City School District No. 5, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Stillwater County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

PARK CITY SCHOOL DISTRICT NO. 5

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>0</u>	<u>20,606</u>	<u>20,606</u>	<u>0</u>	<u>1,807,054</u>	<u>1%</u>

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

	General (Elem)			Transportation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 196,167	\$ 196,167	\$ 192,739	\$ 123,375	\$ 123,375	\$ 122,367
Interest	871	871	436	-	-	176
Other	-	-	3,593	-	-	276
County	-	-	-	12,451	12,451	10,160
State	1,288,675	1,288,675	1,288,675	15,601	15,601	13,460
Total Revenues	1,485,713	1,485,713	1,485,443	151,427	151,427	146,439
EXPENDITURES:						
Current						
Instructional Services			1,018,942	-	-	-
Support Services			39,024	-	-	-
Educational Media Services			28,189	-	-	-
General Administrative Services			168,793	-	-	-
Operation & Maintenance Services			162,570	-	-	-
Transportation Services			-	208,490	208,490	171,061
School Food Services			15,369	-	-	-
Extracurricular			27,915	-	-	-
Capital Outlay			18,577	-	-	-
Total Expenditures	1,485,713	1,485,713	1,479,379	208,490	208,490	171,061
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	6,064	(57,063)	(57,063)	(24,622)
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			1,175			-
Fund Transfers In			2,438			-
Total Other financial Sources/Uses	-	-	3,613	-	-	-
NET CHANGES IN FUND BALANCES	-	-	9,677	(57,063)	(57,063)	(24,622)
FUND BALANCE:						
Beginning of the Year			135,159			98,762
End of the Year			\$ 144,836			\$ 74,140

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

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

	Bus Depreciation (Elem.)			Bus Depreciation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 26,130	\$ 26,130	\$ 25,836	\$ 26,130	\$ 26,130	\$ 26,388
Interest	-	-	262	-	-	287
Other	-	-	-	-	-	-
County	-	-	-	-	-	-
State	-	-	-	-	-	-
Total Revenues	<u>26,130</u>	<u>26,130</u>	<u>26,098</u>	<u>26,130</u>	<u>26,130</u>	<u>26,675</u>
EXPENDITURES:						
Current						
Instructional Services	-	-	-	-	-	-
Support Services	-	-	-	-	-	-
Educational Media Services	-	-	-	-	-	-
General Administrative Services	-	-	-	-	-	-
Operation & Maintenance Services	-	-	-	-	-	-
Transportation Services	-	-	-	-	-	-
School Food Services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Capital Outlay	145,970	145,970	-	151,147	151,147	-
Total Expenditures	<u>145,970</u>	<u>145,970</u>	<u>-</u>	<u>151,147</u>	<u>151,147</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(119,840)</u>	<u>(119,840)</u>	<u>26,098</u>	<u>(125,017)</u>	<u>(125,017)</u>	<u>26,675</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	-	-	-
Fund Transfers In	-	-	-	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(119,840)</u>	<u>(119,840)</u>	<u>26,098</u>	<u>(125,017)</u>	<u>(125,017)</u>	<u>26,675</u>
FUND BALANCE:						
Beginning of the Year			119,840			125,017
End of the Year			<u>\$ 145,938</u>			<u>\$ 151,692</u>

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

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

	General (HS)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 96,888	\$ 96,888	\$ 96,065	\$ -	\$ -	\$ -
Interest	709	709	385	-	-	11
Other	1,308	1,308	42	-	-	-
County	-	-	-	-	-	-
State	727,658	727,658	727,658	2,819	2,819	2,819
Total Revenues	<u>826,563</u>	<u>826,563</u>	<u>824,150</u>	<u>2,819</u>	<u>2,819</u>	<u>2,830</u>
EXPENDITURES:						
Current						
Instructional Services			444,857	-	-	-
Support Services			12,141	-	-	-
Educational Media Services			2,921	-	-	-
General Administrative Services			100,819	1,000	1,000	1,000
Operation & Maintenance Services			164,935	1,819	1,819	357
Transportation Services			357	-	-	-
School Food Services			2,579	-	-	-
Extracurricular			91,805	-	-	-
Capital Outlay			1,000	-	-	-
Total Expenditures	<u>826,563</u>	<u>826,563</u>	<u>821,414</u>	<u>2,819</u>	<u>2,819</u>	<u>1,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,736</u>	<u>-</u>	<u>-</u>	<u>1,473</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			1,175			-
Fund Transfers In			1,358			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>2,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>5,269</u>	<u>-</u>	<u>-</u>	<u>1,473</u>
FUND BALANCE:						
Beginning of the Year			71,621			4,175
End of the Year			<u>\$ 76,890</u>			<u>\$ 5,648</u>

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

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

	Flexibility Fund (HS)		
	Original	Final	Actual
	Budget	Budget	
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	9
Other	-	-	-
County	-	-	-
State	2,024	2,024	2,024
Total Revenues	2,024	2,024	2,033
EXPENDITURES:			
Current			
Instructional Services	-	-	-
Support Services	-	-	-
Educational Media Services	-	-	-
General Administrative Services	1,000	1,000	999
Operation & Maintenance Services	4,970	4,970	-
Transportation Services	-	-	-
School Food Services	-	-	-
Extracurricular	-	-	-
Capital Outlay	-	-	-
Total Expenditures	5,970	5,970	999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,946)	(3,946)	1,034
OTHER FINANCING SOURCES/USES			
Sale of Capital Assets	-	-	-
Fund Transfers In	-	-	-
Total Other financial Sources/Uses	-	-	-
NET CHANGES IN FUND BALANCES	(3,946)	(3,946)	1,034
FUND BALANCE:			
Beginning of the Year			3,945
End of the Year			\$ 4,979

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

PARK CITY SCHOOL DISTRICT NO. 5

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

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

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

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

PARK CITY SCHOOL DISTRICT NO. 5

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

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

	<u>Sub-fund General Fund (EL)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund (EL)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:					
District Levies	\$ 192,739	\$ 96,065	\$ 0	\$ 0	\$ 288,804
Interest Earnings	436	385	11	9	841
Other	3,593	42	0	0	3,635
State Sources	<u>1,288,675</u>	<u>727,658</u>	<u>2,819</u>	<u>2,024</u>	<u>2,021,176</u>
Total Revenues	<u>\$ 1,485,443</u>	<u>\$ 824,150</u>	<u>\$ 2,830</u>	<u>\$ 2,033</u>	<u>\$ 2,314,456</u>
EXPENDITURES:					
Instructional Services	1,014,935	440,849	0	0	1,455,784
Support Services	39,024	12,141	0	0	51,165
Educational Media	28,189	2,921	0	0	31,110
General Administrative	168,793	100,819	1,000	999	271,611
Operation & Maintenance	154,758	164,935	357	0	320,050
Transportation	0	357	0	0	357
Extracurricular	27,915	91,805	0	0	119,720
School Food	15,369	2,579	0	0	17,948
Principal	21,031	0	0	0	21,031
Interest	4,358	0	0	0	4,358
Capital	<u>5,007</u>	<u>5,008</u>	<u>0</u>	<u>0</u>	<u>10,015</u>
Total Expenditures	<u>\$ 1,479,379</u>	<u>\$ 821,414</u>	<u>\$ 1,357</u>	<u>\$ 999</u>	<u>\$ 2,303,149</u>
Excess (Deficiency) of Revenue Over Expenditures	6,064	2,736	1,473	1,034	11,307
Sale of Assets	1,175	1,175	0	0	2,350
Transfers In	2,438	1,358	0	0	3,796
Net Changes In Fund Balance	9,677	5,269	1,473	1,034	17,453
FUND BALANCE:					
Beginning of the Year	135,159	71,621	0	0	206,780
Prior Period Adjustment			<u>4,175</u>	<u>3,945</u>	<u>8,120</u>
Ending of the Year	<u>144,836</u>	<u>76,890</u>	<u>5,648</u>	<u>4,979</u>	<u>232,353</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general funds and flexibility funds because they are reported as major funds and have legally adopted budgets.

Park City School District No. 5
 Schedule of Revenues, Expenses and Balances
 Student Activity Funds
 Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Ending Balance <u>6/30/2014</u>
ATHLETIC FUND/CASH	3,032	37,417	36,837	3,612
CHEERLEADERS/CASH	2,387	2,251	1,871	2,767
CLASS OF 2018/CASH	414	-	30	384
CLASS OF 2017/CASH	432	-	165	267
CLASS OF 2013/CASH	597	421	618	400
CLASS OF 2014/CASH	1,922	418	1,512	828
CLASS OF 2015/CASH	438	7,611	5,263	2,786
CLASS OF 2016/CASH	486	-	-	486
FCCLA FUND/CASH	4,034	8,465	7,373	5,126
HONOR SOCIETY FUND/CASH	4,876	13,777	13,392	5,261
MUSIC FUND/CASH	1,162	5,443	3,304	3,301
STUDENT COUNCIL FUND/CASH	4,716	6,167	7,243	3,640
SPEECH AND DRAMA/CASH	802	-	-	802
WELLNESSFUND/CASH	364	889	-	1,253
FFA VOCATIONAL-ED FUND/CASH	27,838	34,745	35,729	26,854
REVOLVING CASH/CASH	3,172	1,748	3,920	1,000
AMBASSADOR CLUB/CASH	193	-	193	-
ELEMENTARY FUND/CASH	2,647	18,484	18,193	2,938
ART CLUB FUND/CASH	276	59	137	198
COMPUTER CLASS FUND/CASH	710	-	-	710
READING CLUB/CASH	2,224	4,186	5,834	576
P.E. ARCHERY FUND	498	-	248	250
MT AG FUND	3,196	1,012	-	4,208
JR HONOR SOCIETY FUND/CASH	304	-	-	304
MTI-TIP CLUB FUND/CASH	642	-	642	-
FFA FUND #2/CASH	(1)	1	-	-
ANNUAL FUND/CASH	407	2,199	2,606	-
BPA FUND/CASH	1,934	46	555	1,425
FFA RECYCLING FUND/CASH	1,785	1	400	1,386
HS SCIENCE DEPT FUND/CASH	91	75	99	67
1ST GRADE RECYCLE FUND/CASH	8	-	-	8
PROWL FUND/CASH	5,461	5,072	6,841	3,692
6TH GRADE FUND/CASH	250	-	111	139
CLASS OF 2019/CASH	467	1	-	468
ELEMENTARY PLAYGROUND FUND/	492	-	492	-
TAILGATE FUNDCASH	-	1,582	1,582	-
ATHLETICS #2/CASH	73	1,913	765	1,221
GIRL'S BASKETBALL	1,171	-	1,171	-
SOFTBALL CO-OP TEAM/CASH	299	-	299	-
ANGEL FUND/CASH	1,904	674	52	2,526
PETTY CASH	700	-	-	700
Total	<u>82,403</u>	<u>154,657</u>	<u>157,477</u>	<u>79,583</u>

PARK CITY SCHOOL DISTRICT NO. 5

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	32	32	0
Grade 1 - 6	166	166	0
Grade 7 - 8	43	43	0
Total	<u>241</u>	<u>241</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>92</u>	<u>92</u>	<u>0</u>

Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	32	32	0
Grade 1 - 6	163	163	0
Grade 7 - 8	43	43	0
Total	<u>238</u>	<u>238</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>95</u>	<u>95</u>	<u>0</u>

Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	31	31	0
Grade 1 - 6	157	157	0
Grade 7 - 8	45	45	0
Total	<u>233</u>	<u>233</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>94</u>	<u>94</u>	<u>0</u>

Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Park City School District No. 5
Stillwater County
Park City, Montana 59063

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Park City School District No. 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Park City School District No. 5's basic financial statements and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Park City School District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014 -001 and 2014 -003.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2014 -002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park City School District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Park City School District No. 5's Response to Findings

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 15, 2015

SCHEDULE OF FINDINGS AND RESPONSES

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

FINDING NUMBER 1 - CAPITAL ASSETS 2013 (repeat finding 2012):

This finding was rewritten as finding number 2014-001.

FINDING NUMBER 2 - COMPENSATED ABSENCES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 3 - REVENUES AND EXPENDITURES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 4 - STUDENT ACTIVITIES 2013:

This was not a finding in fiscal year 2014.

2014-001 FINDING NUMBER - CAPITAL ASSETS:

Criteria: Generally Accepted Accounting Principles (GAAP) requires capital assets and depreciation expense be correctly recorded.

Condition: Amounts Reported as capital assets on Trustees Financial Summary (TFS) do not match the District's detail list of capital assets.

Effect: The effect is capital assets, accumulated depreciation, depreciation expense, and expenditure codes are not correctly reported on the TFS.

Context: Capital Assets are under-stated by \$22,815 on the TFS, accumulated depreciation is under-reported by \$1,276,559, and \$25,592 of capital asset expenditures are improperly coded.

Cause: The cause was improper coding of invoices, and improper reporting on the Trustees Financial Summary.

Recommendation: We recommend the District correctly code and report capital assets on the TFS.

2014-002 FINDING NUMBER - EXPENDITURE CODING:

Criteria: GAAP requires expenditures to be properly coded.

Condition: TRS payments of reserve per HB377 were improperly coded to Employee Benefits instead of Dues and Fees as per instructions from Office of Public Instructions on the Trustees Financial Summary.

Effect: The effect is improper coding of expenditures on the TFS.

Context: Dues and Fees were under reported and Personal Services-Employee Benefits were over reported on the TFS.

Cause: The cause was improper reporting on the Trustees Financial Summary.

Recommendation: We recommend the District correctly code and report expenditures on the TFS.

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

2014-003 FINDING NUMBER - REVENUE AND EXPENDITURES:

Criteria: GAAP requires revenues and expenditures to be properly reported.

Condition: Revenue and expenditures for school food were reported twice on the Trustees Financial Summary, once under school food and once under student activities.

Effect: The effect is over reported revenue and expenditures in student activities on the TFS.

Context: Student activities revenue and expenditures was over reported by \$71,720 for lunch food, which was properly reported under school food on the TFS.

Cause: The cause was improper reporting on the Trustees Financial Summary.

Recommendation: We recommend the District reduce student activity expenditures and revenue by the amount of school food that is moved to fund 112 on the TFS, so that these revenues and expenditures are only reported on the Trustees Financial Summary only once.