

Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
INDEPENDENT AUDITOR'S REPORT	6 - 7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14 - 23
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	24
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – All Budgeted Major Funds	25 - 27
Notes to the Budget and Actual Schedule	28 - 29
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds	30
Schedule of Reported Enrollment	31
INDEPENDENT AUDITOR'S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	32 - 33
SCHEDULE OF FINDINGS AND RESPONSES	34

Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

ORGANIZATION

BOARD OF TRUSTEES

Courtney Herzog	Chair
Dane Schneidt	Vice Chair
Paul Broyles	Trustee
Brian Krieger	Trustee
Trudi Downer	Trustee

OFFICIALS

Jerry Thompson	Superintendent
Stephanie Zindler	District Clerk
Judy Martin	County Superintendent
John Petak	County Attorney

**RAPELJE PUBLIC SCHOOLS  
SCHOOL DISTRICT #32, STILLWATER COUNTY  
RAPELJE, MONTANA**

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Superintendent and Clerk of the Rapelje School District have provided this Management Discussion and Analysis to give the reader of these statements an overview of the financial position and activities of the Rapelje School District #32 for the school year ending June 30, 2014.

**FINANCIAL HIGHLIGHTS**

Rapelje School District limits their spending in an effort to re-appropriate funds in order to help reduce the taxpayer’s responsibility. Due to these efforts, we were able to re-appropriate funds in both the elementary and high school general funds for the fiscal year ending June 30, 2014. The amount re-appropriated can be affected by several factors, such as protested tax revenues not received.

**USING THIS ANNUAL REPORT**

This report consists of financial statements that focus on the operations of the district. The Statement of Net Position and the Statement of Activities provide information about the District activities and present a long-term view of the District finances which include capital assets and long-term liabilities. The Fund Financial Statements present a short-term view of the District activities and provide more detailed information about the most significant funds. The remaining financial summaries report information about our 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 of the year’s activities?” The information provided in the government-wide financial statements helps answer this question. 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.

The **Statement of Net Position** shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the 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.

Changes in the net assets (rounded to the nearest \$1,000) were as follows:

<b>NET POSITION</b>	<b>Governmental Activities</b>			
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>\$ CHANGE</u></b>	<b><u>% CHANGE</u></b>
Current Assets	918,550	848,361	70,189	8.27%
Capital Assets, net	<u>376,213</u>	<u>436,079</u>	<u>(59,866)</u>	<u>-13.73%</u>
Total Assets	1,294,763	1,284,440	10,323	.80%
Current Liabilities	-	3,922	(3,922)	-100.00%
Long Term Liabilities	<u>122,251</u>	<u>98,778</u>	<u>23,473</u>	<u>23.76%</u>
Total Liabilities	122,251	102,700	19,551	19.04%
Net Position:				
Net Investment in Capital Assets	376,213	436,079	(59,866)	-13.73%
Restricted	724,826	686,655	38,171	5.56%
Unrestricted	<u>71,473</u>	<u>59,006</u>	<u>12,467</u>	<u>21.13%</u>
Total Net Position	1,172,512	1,181,740	(9,228)	-0.78%

Changes in the District's revenues (rounded to the nearest \$1,000) were as follows:

<b>REVENUES</b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>\$ CHANGE</u></b>	<b><u>% CHANGE</u></b>
<b>Program Revenues:</b>				
Charges for Services	21,853	17,488	4,365	24.96%
Operating Grants	147,499	171,131	(23,632)	-13.81%
<b>General Revenues:</b>				
District Levies	530,706	555,626	(24,920)	-4.49%
State Equalization	358,299	327,578	30,721	9.38%
Other State Revenues	125,163	120,960	4,203	3.47%
County	112,534	97,628	14,906	15.27%
Interest	1,740	2,592	(852)	-32.87%
Other	<u>3,720</u>	<u>4,128</u>	<u>(408)</u>	<u>-9.88%</u>
Total Revenues	1,301,514	1,297,131	4,383	.34%

The slight change in District revenues were primarily due to an increase in direct aid from the state, as well as other state and county revenues. Interest earnings received on investments were down over the previous year due to the economy.

Changes in the District's expenses (rounded to the nearest \$1,000) were as follows:

<b>PROGRAM EXPENSES</b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>\$ CHANGE</u></b>	<b><u>% CHANGE</u></b>
Instructional Services	557,990	551,593	6,397	1.16%
Support Services	2,543	4,000	(1,457)	-36.43%
Educational Media Services	18,622	17,947	675	3.76%
General Administrative Services	262,659	242,460	20,199	8.33%
Operation & Maintenance Services	197,355	162,334	35,021	21.57%
Transportation Services	169,746	164,249	5,497	3.35%
School Food Services	49,279	56,090	(6,811)	-12.14%
Extracurricular	38,133	35,738	2,395	6.70%
Unallocated Depreciation	<u>14,416</u>	<u>14,136</u>	<u>280</u>	<u>1.98%</u>
Total Expenses	1,310,743	1,248,547	62,196	4.98%
<b>Change in Net Position</b>	(9,229)	48,584	(57,813)	

The changes in expenses are due to several factors. Expenditures increased in the main program expenses due to salary increases for both certified and classified employees. Transportation costs were slightly higher than the previous year due to increased bus repairs. The increase in Operations and Maintenance was primarily a result of higher utilities costs, custodial repairs to the boiler and plumbing, as well as the purchase of new gym chairs and a 2000 GMC pickup. This year we were also able to update our office copier, office furniture and increase our file storage. It is the goal of the district to maintain the school buildings and grounds in the best condition possible.

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

These statements report the district's net assets and the changes in them. These changes indicate whether the financial health of the district is improving or deteriorating. Changes in enrollment, state funding of education, the district's tax base and changes in the economy can all influence the district's financial health.

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial 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. The school district segregates 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, such as the General fund. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, transportation and school food service 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 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 Assets and Changes in Fiduciary Net Assets. The district cannot use these funds for any other purpose other than what they were originally intended for.

### **CAPITAL ASSETS**

The district capitalizes assets at \$5,000. Items valued at less than \$5,000 are not included. This year we added a 2000 GMC pickup to our capital asset list, as well as the playground fence.

### **THE FUTURE OF THE DISTRICT**

The future of the district remains fairly optimistic; however, we do anticipate a slight increase in our projected enrollment for 2014-2015.

### **CONTACT FOR ADDITIONAL INFORMATION**

If you have any questions about this report or need additional information, contact Superintendent Jerry Thompson or District Clerk Stephanie Zindler at the Rapelje School, 714 Main Street, Rapelje, MT 59067-0089.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

**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 Rapelje School District No. 32 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 Rapelje School District No. 32 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (pages 24) and budgetary comparison information (pages 25 – 29) 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 Rapelje School District No. 32's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 30) and schedule of reported enrollment (page 31) 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 February 23, 2015 on our consideration of Rapelje School District No. 32 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 Rapelje School District No. 32 internal control over financial reporting and compliance.

STROM & ASSOCIATES, PC  
Billings, Montana  
February 23, 2015

Statement of Net Position

## Statement of Activities

Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities

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

RAPELJE SCHOOL DISTRICT NO. 32

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 Rapelje School District No. 32 (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.

RAPELJE SCHOOL DISTRICT NO. 32

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 non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity 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 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. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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:

RAPELJE SCHOOL DISTRICT NO. 32

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 elementary and high school flexibility funds since the restrictions on those funds are similar to the general fund.
- 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 busses and two-way radio equipment owned by the School District.
- High School Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in 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.

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 treasure 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 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:

RAPELJE SCHOOL DISTRICT NO. 32

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	7 – 50 years
Improvements	20 years
Machinery and Equipment	5 – 20 years

1. c. 4 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.

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 two sources: 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 a maximum of 35 days of sick leave and are paid \$50 per day upon termination.

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 \$4,658 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:

- Non-spendable - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

RAPELJE SCHOOL DISTRICT NO. 32

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

<u>Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 40,000	\$ 26,949	\$ 15,074
Operations and Maintenance	0	5,766	0
Student Transportation	0	359,349	0
School Food	0	2,906	0
Third Party Grantor Restrictions	0	33,099	0
Employer Retirement Benefits	0	40,659	0
Future Technology	0	49,649	0
Future Capital Costs	0	151,715	0
Total	<u>\$ 40,000</u>	<u>\$ 670,092</u>	<u>\$ 15,074</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. When an expenditure is incurred for assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of 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 and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the 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 County Treasurer. No service charges have been recorded by the School District or 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	<u>\$ 896,520</u>	<u>\$ 139,476</u>	<u>\$ 1,035,996</u>

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

	<u>Amount</u>
Cash on Hand	\$ 500
Demand Accounts	33,194
County Investment Pool	<u>1,002,302</u>
Total	<u>\$ 1,035,996</u>

Cash resources of the School District are held and managed by the 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, time deposits, repurchase agreements, money market accounts 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.

RAPELJE SCHOOL DISTRICT NO. 32

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

The cash of the extracurricular funds is held separately by the School District, not at the Stillwater County. As of June 30, 2014, \$33,194 was exposed to custodial credit risk and was covered by FDIC insurance.

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 \$3,539,752 for the Elementary School District and \$4,030,963 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*	52.60	\$ 7,212
Transportation	13.70	1,758
Bus Depreciation*	4.80	1,053
Building Reserve	2.26	330
<u>High School Fund</u>		
General*	46.97	7,966
Transportation	11.89	1,804
Bus Depreciation*	3.94	973
Technology	3.72	346
Building Reserve*	2.98	505
Total	<u>142.86</u>	<u>\$ 21,947</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	\$ 83	State of MT	Matching payment

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 2	\$ 0	\$ 0	\$ 2
<u>Governmental Activities:</u>				
<u>Depreciable:</u>				
Land Improvements	\$ 0	\$ 6,096	\$ 0	\$ 6,096
Buildings	577,952	0	0	577,952
Major Equipment	637,964	6,000	(8,638)	635,326
Total Depreciable	<u>\$ 1,215,916</u>	<u>\$ 12,096</u>	<u>\$ (8,638)</u>	<u>\$ 1,219,374</u>
<u>Accumulated Depreciation:</u>				
Land Improvements	\$ 0	\$ (280)	\$ 0	\$ (280)
Buildings	(366,350)	(14,136)	0	(380,486)
Major Equipment	(413,489)	(57,546)	8,638	(462,397)
Total Depreciation	<u>\$ (779,839)</u>	<u>\$ (71,962)</u>	<u>\$ 8,638</u>	<u>\$ (843,163)</u>
Net Depreciable Assets	<u>436,077</u>	<u>(59,866)</u>	<u>0</u>	<u>376,211</u>
Net Governmental Capital Assets	<u>\$ 436,079</u>	<u>\$ (59,866)</u>	<u>\$ 0</u>	<u>\$ 376,213</u>

RAPELJE SCHOOL DISTRICT NO. 32

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

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 3,540
School Administration	885
Operation & Maintenance	3,290
Transportation	48,815
Extracurricular	1,016
Unallocated	14,416
Total Depreciation Expense	<u>\$ 71,962</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Other Liabilities:</u>					
Compensated Absences	\$ 40,404	\$ 3,978	\$ 0	\$ 44,382	\$ 4,658
Other Post-Employment Benefits (OPEB)	<u>62,296</u>	<u>15,574</u>	<u>0</u>	<u>77,870</u>	<u>0</u>
Total Other Liabilities	<u>\$ 102,700</u>	<u>\$ 19,552</u>	<u>\$ 0</u>	<u>\$ 122,252</u>	<u>\$ 4,658</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 7,212	Taxes Receivable
Transportation	1,758	Taxes Receivable
Bus Depreciation*	1,053	Taxes Receivable
Building Reserve	330	Taxes Receivable
<u>High School Fund</u>		
General*	7,966	Taxes Receivable
Transportation	1,804	Taxes Receivable
Bus Depreciation*	973	Taxes Receivable
Technology	346	Taxes Receivable
Building Reserve*	<u>505</u>	Taxes Receivable
Total	<u>\$ 21,947</u>	

\* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 6,727	EL Flexibility fund included as general.
Flexibility*	(6,727)	EL Flexibility fund included as general.
<u>High School Fund</u>		
General*	8,226	HS Flexibility fund included as general.
Flexibility*	<u>(8,226)</u>	HS Flexibility fund included as general.
Total	<u>\$ 0</u>	

\* Denotes Major Funds

RAPELJE SCHOOL DISTRICT NO. 32

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

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$3,300 per member and \$6,600 per member and spouse. 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 June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 82,423
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>82,423</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 657,576
UAAL as a percentage of covered payroll	12.5%

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, 2014.

Annual Required Contribution (ARC)	\$ 15,574
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	15,574
Contribution made	<u>0</u>
Increase in net OPEB obligation	15,574
Net OPEB obligation - beginning of year	<u>62,296</u>
Net OPEB obligation - end of year	<u>\$ 77,870</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	5.0%
Average Salary Increase	3.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTE 10. OTHER COMMITMENTS

10. a. 1 ENCUMBRANCES

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

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 7,537
<u>High School Fund</u>	
General*	<u>7,537</u>
Total	<u>\$ 15,074</u>

\* Denotes Major Funds

RAPELJE SCHOOL DISTRICT NO. 32

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

NOTE 11. 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 accessed. 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.

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, 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	\$ 102,745	\$ 83,943	\$ 92,242
PERS	<u>19,784</u>	<u>21,598</u>	<u>21,943</u>
Total	<u>\$ 122,529</u>	<u>\$ 105,541</u>	<u>\$ 114,185</u>

RAPELJE SCHOOL DISTRICT NO. 32

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

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Rapelje School District No. 32 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 Rapelje School District No. 32, 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.

NOTE 14. SUBSEQUENT REPORTABLE EVENTS

The district traded a 2010 Dodge Caravan for a 2011 Chevy Suburban and \$19,549 in October 2014.

RAPELJE SCHOOL DISTRICT NO. 32

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>82,423</u>	<u>82,423</u>	<u>0 %</u>	<u>657,576</u>	<u>12.5%</u>

RAPELJE SCHOOL DISTRICT NO. 32

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

Add budget to actual pages here

RAPELJE SCHOOL DISTRICT NO. 32

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

RAPELJE SCHOOL DISTRICT NO. 32

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

RAPELJE SCHOOL DISTRICT NO. 32

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
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, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

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

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

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

RAPELJE SCHOOL DISTRICT NO. 32

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>
<b>REVENUES:</b>					
District Levies	\$ 202,696	\$ 216,098	\$ 0	\$ 0	\$ 418,794
Interest Earnings	175	212	16	19	422
Other	245	332	0	0	577
State Sources	<u>198,723</u>	<u>284,649</u>	<u>2,404</u>	<u>2,937</u>	<u>488,713</u>
Total Revenues	<u>\$ 401,839</u>	<u>\$ 501,291</u>	<u>\$ 2,420</u>	<u>\$ 2,956</u>	<u>\$ 908,506</u>
<b>EXPENDITURES:</b>					
Instructional Services	200,119	214,082	0	0	414,201
Support Services	293	0	0	0	293
Educational Media	7,787	7,382	0	0	15,169
General Administrative	73,636	75,904	0	0	149,540
Operation & Maintenance	63,302	108,115	0	0	171,417
Transportation	1,437	5,497	0	0	6,934
Extracurricular	6,448	28,162	0	0	34,610
School Food	13,921	15,015	0	0	28,936
Capital Outlays	<u>6,362</u>	<u>5,733</u>	<u>0</u>	<u>0</u>	<u>12,095</u>
Total Expenditures	<u>\$ 373,305</u>	<u>\$ 459,890</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 833,195</u>
Net Changes In Fund Balance	28,534	41,401	2,420	2,956	75,311
<b>FUND BALANCE:</b>					
Beginning of the Year	45,751	50,497	0	0	96,248
Prior Period Adjustment			<u>6,727</u>	<u>8,226</u>	<u>14,953</u>
Ending of the Year	<u>74,285</u>	<u>91,898</u>	<u>9,147</u>	<u>11,182</u>	<u>186,512</u>

The fund balances of the elementary and high school general funds displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$7,537, \$7,537, respectively. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

In the reconciliation the general fund 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 fund and flexibility fund because they are reported as major funds and have legally adopted budgets.



RAPELJE SCHOOL DISTRICT NO. 32

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	3	3	0
Grade 1 - 6	23	23	0
Grade 7 - 8	9	9	0
Total	<u>35</u>	<u>35</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>12</u>	<u>12</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	0	0	0
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	3	3	0
Grade 1 - 6	25	25	0
Grade 7 - 8	9	9	0
Total	<u>37</u>	<u>37</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>12</u>	<u>12</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	0	0	0
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	3	3	0
Grade 1 - 6	23	23	0
Grade 7 - 8	9	9	0
Total	<u>35</u>	<u>35</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>11</u>	<u>11</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	0	0	0
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  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

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 Rapelje School District No. 32 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Rapelje School District No. 32's basic financial statements and have issued our report thereon dated February 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rapelje School District No. 32's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rapelje School District No. 32's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

STROM & ASSOCIATES, PC  
Billings, Montana  
February 23, 2015

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

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SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.

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

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February 23, 2015

Board of Trustees  
Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

Re: Letter of Transmittal for Audit of FY 2013

We have audited the basic financial statement of Rapelje School District No. 32, and submit our report and other comments as follows: The audit was a Single Audit as required by The Montana Single Audit Act of 1991.

1. DISTRIBUTION OF AUDIT REPORTS:

The reports will be distributed as follows:

Reports submitted to the District

<u>Copies</u>	<u>Distributed To</u>
1	Clerk
1	Superintendent
1	Local Newspaper*
<u>1</u>	Public Inspection Copy
<u>4</u>	

\* See Paragraph 3 for new advertising requirements.

Reports submitted to other Agencies

<u>Copies</u>	<u>Distributed To</u>
3	Local Government Services
1	County Attorney
<u>1</u>	County Superintendent
<u>5</u>	
1	Office Public Instruction - electronic

2. GENERAL COMMENTS ABOUT THE AUDIT:

Overall the District's records and accounting system are in great condition. The Clerk/Business Manager and staff should be commended for a job well done.

### 3. ADVERTISING OF AUDIT REPORTS:

The Montana Single Audit Act (Chapter 489, Laws of 1991) materially revised the responsibilities for publishing local government audit reports. Effective July 1, 1992, each audited School District will be required to send a copy of their annual or biennial audit reports to a newspaper of general circulation in their area. Because of this requirement, we have provided you with an additional copy of the audit report.

In addition, this law requires each audited School District to send to their appropriate newspaper for publication a statement to the effect that the audit report is on file in its entirety, open to public inspection, and that the District will send a copy of the audit report to any interested person upon request.

Publication is required to be done 30 days after you receive the audit report

Please find attached a sample of a letter to your local newspaper requesting the advertisement and a sample of the standard advertisement required for schools.

It was a pleasure working with the District staff and we are looking forward to working with you again next year.

If there are any questions on any matter covered above, please call 252-2765.

Sincerely,

STROM & ASSOCIATES, PC  
Billings, Montana  
February 23, 2015

SAMPLE LETTER TO NEWSPAPER REGARDING  
AUDIT PUBLICATION STATEMENT

February 23, 2015

Name of Newspaper  
Address  
City, MT 59\_\_\_\_\_

RE: Audit Report Publication

Section 2-7-521, MCA, requires that the attached Audit Publication Statement be published by a newspaper of general circulation. We consider your newspaper to be a newspaper of general circulation for Rapelje School District No. 32.

Will you please publish the enclosed Audit Publication Statement for the fiscal year ended June 30, 2013. All publications costs as required by statute to be borne by Rapelje School District No. 32, so please bill us for those costs.

Also enclosed for your information, as required by statute, is a complete copy of the audit report. The audit report itself is not required by law to be published. Only the Audit Publication should be published.

Thank you for your cooperation.

Sincerely,

District Clerk

Page enclosed to be published

Billing Address:

District Clerk  
Rapelje School District No. 32  
Stillwater County  
Rapelje, Montana 59067

SAMPLE OF ADVERTISEMENT REQUIRED

AUDIT PUBLICATION STATEMENT

An audit of the affairs of Rapelje School District No. 32, Stillwater County, Rapelje, Montana 59067, has been conducted by Strom & Associates, PC. The audit covered the fiscal year ended June 30, 2013. The audit also covered the Extracurricular Fund for pupil functions which is included in the financial statements of the District.

Section 2-7-521, MCA, requires that this publication concerning the audit report include a statement that such report is on file in its entirety and open to public inspection at the School Clerk's office, and that the District will send a copy of the audit report to any interested person upon request.

Very truly yours,