

**REED POINT SCHOOL DISTRICT NO. 9-9**

**STILLWATER COUNTY  
REED POINT, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**

Reed Point School District No. 9-9  
 Stillwater County  
 Reed Point, Montana 59069

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 - 24 |
| REQUIRED SUPPLEMENTAL INFORMATION:  |         |
| Schedule of Funding Progress –<br>Other Post-Employment Benefits Other Than Pensions (OPEB)   | 25      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) –<br>All Budgeted Major Funds   | 26 - 28 |
| Notes to the Budget and Actual Schedule   | 29 - 30 |
| SUPPLEMENTAL SCHEDULES:   |         |
| Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds  | 31      |
| Schedule of Reported Enrollment   | 32      |
| 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> | 33 - 34 |
| SCHEDULE OF FINDINGS AND RESPONSES  | 35      |

Reed Point School District No. 9-9  
Stillwater County  
Reed Point, Montana 59069

ORGANIZATION

BOARD OF TRUSTEES

|                   |            |
|-------------------|------------|
| Teresa Rittierodt | Chair      |
| Lee Roy Goddard   | Vice Chair |
| Terry Kern        | Trustee    |

OFFICIALS

|                 |                       |
|-----------------|-----------------------|
| Michael Ehinger | Superintendent        |
| Melissa Bartelt | District Clerk        |
| Judy Martin     | County Superintendent |
| John Petak      | County Attorney       |

SCHOOL DISTRICT NUMBER 9-9  
MANAGEMENT'S DISCUSSION & ANALYSIS

The Superintendent and Business Manager/Clerk of the Reed Point School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ending June 30<sup>th</sup>, 2014. Please read it in conjunction with the District's basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Reed Point School District's assets exceeded its liabilities by \$1,511,740 (net position). This amount is classified as invested in capital assets, net of related debt, restricted or restricted net position. Total net position decreased by \$54,133. as a result of this year's operations.
- Enrollment decreased in the elementary by 2 children and the high school by 3 children. Our state aid allocation increased by \$29,252 in the elementary district, and increased by \$10,374.65 in the high school district.
- Fund balance in the general fund decreased by \$5,124 to \$102,898 in 2014 from \$108,022 in 2013.
- General fund budgetary basis expenditures were \$48,758 more than the prior year expenditures or approximately 4.9% higher. The bulk of the change was related to raises in salaries, health insurance premiums and property and liability insurance premiums.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-wide financial statements** One of the most important questions asked about the government's finances is, "Is the school district, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 6 and 7) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position and changes in them. You can think of net position—the difference between assets and liabilities—as one way to measure the district's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

**Fund financial statements** The fund financial statements (pages 8 and 10) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 9 and 11, respectively).

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SCHOOL DISTRICT NUMBER 9-9  
MANAGEMENT'S DISCUSSION & ANALYSIS

**THE GOVERNMENT AS A WHOLE**

*As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, net position decreased by \$54,133. The decrease is due to HB 377 which required school districts to lower their retirement reserves from 35% to 20%. The excess reserves were required to be sent to Teachers Retirement System. This equaled \$38,250 for Reed Point School District. This also affected the revenue and cash balances in both the Elementary and High School Retirement Fund.*

| NET POSITION                     | Governmental Activities |                  |                 |                |
|----------------------------------|-------------------------|------------------|-----------------|----------------|
|                                  | 2013                    | 2014             | CHANGE          | %<br>CHANGE    |
| Current Assets                   | \$667,286               | \$531,383        | (135,903)       | -20.37%        |
| Capital Assets, net              | <u>946,378</u>          | <u>1,028,446</u> | <u>82,068</u>   | <u>8.67%</u>   |
| Total Assets                     | 1,613,664               | 1,559,829        | (53,835)        | -3.34%         |
| Current Liabilities              | 6,534                   | 8,427            | 1,893           | 28.97%         |
| Long Term Liabilities            | <u>51,258</u>           | <u>39,662</u>    | <u>(11,596)</u> | <u>-22.62%</u> |
| Total Liabilities                | 57,792                  | 48,089           | (9,703)         | -16.79%        |
| Net Position:                    |                         |                  |                 |                |
| Net Investment in Capital Assets | 946,378                 | 1,028,446        | 82,068          | 8.67%          |
| Restricted                       | 462,921                 | 291,369          | (171,552)       | -37.06%        |
| Unrestricted                     | <u>156,574</u>          | <u>191,926</u>   | <u>35,352</u>   | <u>22.58%</u>  |
| Total Net Position               | 1,565,873               | 1,511,740        | (54,133)        | -3.46%         |

| CHANGES IN NET POSITION          | Governmental Activities |                  |                |                |
|----------------------------------|-------------------------|------------------|----------------|----------------|
|                                  | 2013                    | 2014             | CHANGE         | %<br>CHANGE    |
| Revenues                         |                         |                  |                |                |
| Program Revenues:                |                         |                  |                |                |
| Charges for Services             | 19,207                  | 17,228           | (1,980)        | -10.31%        |
| Operating Grants                 | 109,160                 | 156,299          | 47,139         | 43.18%         |
| General Revenues:                |                         |                  |                |                |
| District Levies                  | 420,916                 | 392,950          | (27,966)       | -6.64%         |
| State Equalization               | 372,052                 | 411,680          | 39,628         | 10.65%         |
| Other State Revenues             | 298,913                 | 339,600          | 40,687         | 13.61%         |
| County                           | 141,946                 | 77,604           | (64,342)       | -45.33%        |
| Interest                         | 1,784                   | 866              | (918)          | -51.45%        |
| Other                            | <u>11,820</u>           | <u>5,450</u>     | <u>(6,370)</u> | <u>-53.90%</u> |
| Total Revenues                   | 1,375,798               | 1,401,677        | 25,879         | 1.88%          |
| Program Expenses                 |                         |                  |                |                |
| Instructional Services           | 701,791                 | 799,783          | 97,992         | 13.96%         |
| Support Services                 | 20,614                  | 18,097           | (2,517)        | -12.21%        |
| Educational Media Services       | 24,719                  | 22,186           | (2,533)        | -10.25%        |
| General Administrative Services  | 238,118                 | 252,353          | 14,235         | 5.98%          |
| Operation & Maintenance Services | 168,027                 | 167,724          | (303)          | -0.18%         |
| Transportation Services          | 81,524                  | 91,901           | 10,377         | 12.73%         |
| School Food Services             | 57,235                  | 58,606           | 1,371          | 2.40%          |
| Extracurricular                  | 41,050                  | 43,995           | 2,945          | 7.17%          |
| Other Current Charges            | 1,025                   | 1,164            | 139            | 13.60%         |
| OPEB                             | 2,468                   | -                | (2,468)        | -100.00%       |
| Total Expenses                   | <u>1,336,571</u>        | <u>1,455,810</u> | <u>119,239</u> | <u>8.92%</u>   |
| Change in Net Position           | 39,227                  | (54,132)         | (93,359)       |                |

SCHOOL DISTRICT NUMBER 9-9  
MANAGEMENT'S DISCUSSION & ANALYSIS

Overall revenues increased by \$25,879. This was due to an increase in state equalization payments and other state revenues as a result of HB 27 increases in various entitlements and payments. District and county levies were decreased by over \$92,000.

Expenditures increased by \$119,239. The major increase was in instructional services. 5% raises were given to both certified and classified employees. Health insurance had an increase of 4.5%. Supplies and professional development were a huge focus this year since the staff has been operating with the bare minimum for several years.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds. The general fund is always reported as a major fund.

There were no significant budgetary variances for the general fund or flex funds.

The retirement funds realized a big drop in fund balance due to HB 377. The reserves were dropped from 35% to 20%. The 15% was required to be sent to Teachers Retirement System to help cover their deficit.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

New additions in fiscal year 2014 consisted of the following:

Purchase of a 2014 Blue Bird Activities bus for \$147,155, purchase of a new lawn mower for \$4794 and security cameras for the campus for \$5078.

Debt activity consisted of a retirement payouts to two certified teachers. This also resulted in a decrease in compensated absences liability of \$7,990.50.

#### **THE DISTRICT'S FUTURE**

Reed Point school district has been fairly stable over the past few years and this trend is still true. The districts ANB decrease by two. Major factors helping with the financial obligations of the District have been REAP grants, federal and state funds and the retirement of the highest paid teachers and replacing with beginning teachers. This occurred in 2013 and again in 2014. District retirement funds are generated from a county tax levy. Transportation budget is funded by state and countywide sources.

#### **CONTACT FOR ADDITIONAL INFORMATION**

If you have questions about this report or need additional information, contact the Business manager at the Reed Point School District, 308 Central Ave, Reed Point, MT 59011, 406-326-2245.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Reed Point School District No. 9-9  
Stillwater County  
Reed Point, Montana 59069

**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 Reed Point School District No. 9-9 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 Reed Point School District No. 9-9 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 25) and budgetary comparison information (pages 26 - 30) 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 Reed Point School District No. 9-9's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 31) and schedule of reported enrollment (page 32) 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 June 23, 2015 on our consideration of Reed Point School District No. 9-9 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 Reed Point School District No. 9-9 internal control over financial reporting and compliance.



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

STATEMENT OF NET POSITION  
 as of June 30, 2014

|                                       | <u>Governmental</u><br><u>Activities</u> |
|---------------------------------------|--|
| ASSETS:                               |  |
| Current Assets:                       |  |
| Cash and Cash Equivalents             | \$ 441,916                               |
| Taxes Receivable                      | 25,964                                   |
| Due From Other Governments            | <u>63,503</u>                            |
| Total Current Assets                  | <u>531,383</u>                           |
|                                       |  |
| Capital Assets:                       |  |
| Land                                  | 14,637                                   |
| Net Depreciable Assets                | <u>1,013,809</u>                         |
| Total Noncurrent Assets               | <u>1,028,446</u>                         |
|                                       |  |
| Total Assets                          | <u>\$ 1,559,829</u>                      |
|                                       |  |
| LIABILITIES:                          |  |
| Current Liabilities                   |  |
| Current Portions Compensated Absences | \$ 8,427                                 |
| Total Current Liabilities             | <u>8,427</u>                             |
|                                       |  |
| Noncurrent Liabilities:               |  |
| Long-Term Obligations                 | 3,085                                    |
| Compensated Absences                  | <u>36,577</u>                            |
| Total Noncurrent Liabilities          | <u>39,662</u>                            |
| Total Liabilities                     | <u>48,089</u>                            |
|                                       |  |
| NET POSITION:                         |  |
| Net investment in capital assets      | 1,028,446                                |
| Restricted                            | 273,580                                  |
| Unrestricted (Deficit)                | <u>209,714</u>                           |
| Total Net Position                    | <u>1,511,740</u>                         |
| Total Liabilities and Net Position    | <u>\$ 1,559,829</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<br>Changes in Net Position |
|----------------------------------|------------------|------------------------|--|--|
|                                  | Expenses         | Charge for<br>Services | Operating<br>Grants and<br>Contributions | Primary Government<br>Governmental<br>Activities       |
| <b>GOVERNMENT OPERATIONS</b>     |                  |                        |  |  |
| Instructional Services           | \$ 799,783       | \$ 400                 | \$ 112,687                               | \$ (686,696)   |
| Support Services                 | 18,097           | -                      | -  | (18,097)   |
| Educational Media Services       | 22,186           | -                      | -  | (22,186)   |
| General Administrative Services  | 252,353          | -                      | 6,669                                    | (245,684)  |
| Operation & Maintenance Services | 167,724          | -                      | -  | (167,724)  |
| Transportation Services          | 91,902           | -                      | 23,515                                   | (68,387)   |
| School Food Services             | 58,609           | 16,828                 | 13,428                                   | (28,353)   |
| Extracurricular                  | 43,995           | -                      | -  | (43,995)   |
| Other Current Charges            | 1,164            | -                      | -  | (1,164)  |
| Total Governmental Activities    | <u>1,455,813</u> | <u>17,228</u>          | <u>156,299</u>                           | <u>(1,282,286)</u>                                     |
| <b>GENERAL REVENUES</b>          |                  |                        |  |  |
| District Levies                  |                  |                        |  | 392,950  |
| State Equalization               |                  |                        |  | 411,679  |
| Other State Revenues             |                  |                        |  | 339,601  |
| County                           |                  |                        |  | 77,604   |
| Interest                         |                  |                        |  | 869  |
| Other                            |                  |                        |  | 5,450  |
| Total General Revenues           |                  |                        |  | <u>1,228,153</u>                                       |
| Change in Net Position           |                  |                        |  | (54,133)   |
| <b>Net Position</b>              |                  |                        |  |  |
| Beginning of the Year            |                  |                        |  | <u>1,565,873</u>                                       |
| End of the Year                  |                  |                        |  | <u>\$ 1,511,740</u>                                    |

\* 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  
 as of June 30, 2014

|   | MAJOR             |                    |                                | Total<br>Governmental<br>Funds |
|---|-------------------|--------------------|--------------------------------|--------------------------------|
|   | General           | Retirement<br>(HS) | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS:</b>  |                   |                    |                                |                                |
| Current Assets:   |                   |                    |                                |                                |
| Cash and Cash Equivalents   | \$ 204,443        | \$ 826             | \$ 236,647                     | \$ 441,916                     |
| Taxes Receivable  | 18,207            | -                  | 7,757                          | 25,964                         |
| Receivable From Other Funds   | 10,000            | -                  | -                              | 10,000                         |
| Due From Other Governments  | 36,161            | 3,705              | 23,637                         | 63,503                         |
| <b>Total Assets</b>   | <b>\$ 268,811</b> | <b>\$ 4,531</b>    | <b>\$ 268,041</b>              | <b>\$ 541,383</b>              |
| <b>LIABILITIES:</b>   |                   |                    |                                |                                |
| Current Liabilities   |                   |                    |                                |                                |
| Payable to Other Funds  | -                 | 10,000             | -                              | 10,000                         |
| <b>Total Liabilities</b>  | <b>-</b>          | <b>10,000</b>      | <b>-</b>                       | <b>10,000</b>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                   |                    |                                |                                |
| Unavailable Property Taxes Receivable                                     | 18,207            | -                  | 7,757                          | 25,964                         |
| <b>Total Deferred Inflows of resources</b>                                | <b>18,207</b>     | <b>-</b>           | <b>7,757</b>                   | <b>25,964</b>                  |
| <b>FUND BALANCE:</b>  |                   |                    |                                |                                |
| Fund Balances:  |                   |                    |                                |                                |
| Restricted  | -                 | -                  | 260,284                        | 260,284                        |
| Assigned  | 13,589            | -                  | -                              | 13,589                         |
| Unassigned:   | 237,015           | (5,469)            | -                              | 231,546                        |
| <b>Total Fund Balance</b>   | <b>250,604</b>    | <b>(5,469)</b>     | <b>260,284</b>                 | <b>505,419</b>                 |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b> | <b>\$ 268,811</b> | <b>\$ 4,531</b>    | <b>\$ 268,041</b>              | <b>\$ 541,383</b>              |

RECONCILIATION TO THE STATEMENT OF NET POSITION

|  |                     |
|--|---------------------|
| Total fund balance reported above              | \$ 505,419          |
| Governmental Capital Assets                    | 1,028,446           |
| Long-term Liabilities                          |                     |
| Long-Term Obligations                          | (3,085)             |
| Compensated Absences                           | (45,004)            |
| Long-Term Capital Obligations                  |                     |
| Unavailable Property Taxes Receivable          | 25,964              |
| <b>Net Position of Governmental Activities</b> | <b>\$ 1,511,740</b> |

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             |                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|--------------------------------|--------------------------------|
|  | General           | Retirement (HS)   |                                |                                |
| <b>REVENUES:</b>   |                   |                   |                                |                                |
| District Levies  | \$ 315,727        | \$ -              | \$ 88,257                      | \$ 403,984                     |
| Interest   | 376               | 29                | 462                            | 867                            |
| Charges for Services   | -                 | -                 | 18,468                         | 18,468                         |
| Other  | 342               | -                 | 5,108                          | 5,450                          |
| County   | 7,405             | 41,299            | 80,218                         | 128,922                        |
| State  | 724,016           | -                 | 32,580                         | 756,596                        |
| Federal  | -                 | -                 | 98,427                         | 98,427                         |
| Total Revenues   | <u>1,047,866</u>  | <u>41,328</u>     | <u>323,520</u>                 | <u>1,412,714</u>               |
| <b>EXPENDITURES:</b>   |                   |                   |                                |                                |
| <b>Current</b>   |                   |                   |                                |                                |
| Instructional Services                                       | 562,173           | 59,653            | 163,117                        | 784,943                        |
| Support Services   | 14,886            | 2,005             | 1,006                          | 17,897                         |
| Educational Media Services                                   | 18,464            | 661               | 1,324                          | 20,449                         |
| General Administrative Services                              | 205,138           | 9,895             | 31,210                         | 246,243                        |
| Operation & Maintenance Services                             | 138,895           | 4,048             | 16,008                         | 158,951                        |
| Transportation Services                                      | 6,849             | 1,983             | 48,278                         | 57,110                         |
| School Food Services   | 21,547            | 1,007             | 33,578                         | 56,132                         |
| Extracurricular  | 33,953            | 2,746             | 969                            | 37,668                         |
| Other Current Charges  | -                 | -                 | 1,164                          | 1,164                          |
| Capital Outlay   | 4,794             | -                 | 152,233                        | 157,027                        |
| Total Expenditures   | <u>1,006,699</u>  | <u>81,998</u>     | <u>448,887</u>                 | <u>1,537,584</u>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |                   |                   |                                |                                |
|  | <u>41,167</u>     | <u>(40,670)</u>   | <u>(125,367)</u>               | <u>(124,870)</u>               |
| <b>OTHER FINANCING SOURCES/USES</b>                          |                   |                   |                                |                                |
| Fund Transfers In  | -                 | -                 | 34,670                         | 34,670                         |
| Fund Transfers (Out)   | (2,500)           | -                 | (32,170)                       | (34,670)                       |
| Total Other financial Sources/Uses                           | <u>(2,500)</u>    | <u>-</u>          | <u>2,500</u>                   | <u>-</u>                       |
| <b>NET CHANGES IN FUND BALANCES</b>                          |                   |                   |                                |                                |
|  | <u>38,667</u>     | <u>(40,670)</u>   | <u>(122,867)</u>               | <u>(124,870)</u>               |
| <b>FUND BALANCE:</b>   |                   |                   |                                |                                |
| Beginning of the Year  | 178,187           | 35,201            | 416,901                        | 630,289                        |
| Prior Period Adjustments                                     | 33,750            | \$ -              | (33,750)                       | -                              |
| End of the Year  | <u>\$ 250,604</u> | <u>\$ (5,469)</u> | <u>\$ 260,284</u>              | <u>\$ 505,419</u>              |

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

Reedpoint School District No. 9-9  
Stillwater County  
Reedpoint, Montana 59069

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   |            | \$             | (124,870)       |
| Revenues on the Statement of Activity not included in governmental funds statement:                 |            |                |                 |
| Increase (decrease) in taxes receivable   |            |                | (11,034)        |
| Expenses on the Statement of Activity not included in the governmental funds statement:             |            |                |                 |
| Depreciation Expense  | (74,959)   |                |                 |
| (Increase) decrease in Other Post Employment Benefits   | (617)      |                |                 |
| (Increase) decrease in compensated absence liability  | <u>320</u> |                | (75,256)        |
| Expenditures reported in the governmental funds statement not included in the Statement of Activity |            |                |                 |
| Capital outlays   |            | <u>157,027</u> |                 |
| Change in net position reported on the Statement of Activity  |            | \$             | <u>(54,133)</u> |

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

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

|                                   | Private Purpose   |               |
|-----------------------------------|-------------------|---------------|
|                                   | Trust Funds       | Agency Funds  |
| <b>ASSETS:</b>                    |                   |               |
| Current Assets:                   |                   |               |
| Cash and Cash Equivalents         | \$ 110,800        | \$ 43,024     |
| Total Assets                      | <u>110,800</u>    | <u>43,024</u> |
| <b>LIABILITIES:</b>               |                   |               |
| Current Liabilities               |                   |               |
| Warrants Payable                  | -                 | 43,024        |
| Total Liabilities                 | <u>-</u>          | <u>43,024</u> |
| <b>NET POSITION:</b>              |                   |               |
| Restricted for Endowment          | 56,647            |               |
| Restricted for Student Activities | <u>54,153</u>     |               |
| Total Net Position                | <u>\$ 110,800</u> |               |

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

|                                  | Private Purpose<br>Trust Funds |
|----------------------------------|--------------------------------|
| <b>ADDITIONS:</b>                |                                |
| Revenues from Student Activities | \$ 93,679                      |
| Contributions to Endowment       | <u>294</u>                     |
| Total Additions                  | <u>93,973</u>                  |
| <b>DEDUCTIONS:</b>               |                                |
| Expenses of Student Activities   | 85,758                         |
| Student Scholarships             | <u>6,184</u>                   |
| Total Deductions                 | <u>91,942</u>                  |
| CHANGE IN NET POSITION           | 2,031                          |
| <b>NET POSITION:</b>             |                                |
| Beginning of the Year            | <u>108,769</u>                 |
| End of the Year                  | <u>\$ 110,800</u>              |

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

REED POINT SCHOOL DISTRICT NO. 9-9

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 Reed Point School District No. 9-9 (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.

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, 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 is displayed as a fiduciary fund. 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.

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)

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:

- 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 impact aid fund, the flexibility fund, and the metal mines tax fund since the restrictions on those funds are similar to the general fund.

REED POINT SCHOOL DISTRICT NO. 9-9

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

- High School Retirement Fund – This fund is used to account for financing the employer’s contribution to the Teachers’ Retirement System (TRS), the Public Employees’ Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.

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.

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                         | 6 – 50 years  |
| Improvements other than buildings | 10 – 20 years |
| Machinery and Equipment           | 5 – 15 years  |

REED POINT SCHOOL DISTRICT NO. 9-9

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

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 School District employees shall accrue 10 days of sick leave at the beginning of each year. Unused sick leave will be accruable up to 70 days. Sick leave in excess of 70 days will be paid out at the end of the school year at the rate of ½ substitute teacher daily rate. Upon termination employees shall receive compensation for unused sick leave days in the amount of ¼ of their daily rate of pay times the number of days of unused sick leave.

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 \$8,427 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.
- 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 or funds that have negative fund balances.

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

| <u>Purpose</u>                   | <u>Restricted</u> | <u>Assigned</u>  |
|----------------------------------|-------------------|------------------|
| Instructional - Regular          | \$ 11,620         | \$ 13,589        |
| Operations and Maintenance       | 5,168             | 0                |
| Student Transportation           | 86,887            | 0                |
| School Food                      | 1,997             | 0                |
| Third Party Grantor Restrictions | 29,862            | 0                |
| Employer Retirement Benefits     | 12,601            | 0                |
| Future Technology                | 1,278             | 0                |
| Future Capital Costs             | 109,315           | 0                |
| Debt Service                     | 1,556             | 0                |
| Total                            | <u>\$ 260,284</u> | <u>\$ 13,589</u> |

REED POINT SCHOOL DISTRICT NO. 9-9

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

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 Stillwater County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the Stillwater County which are subject to distribution to the various taxing jurisdictions located in the Stillwater County. The collections made by the 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</u><br><u>Activities</u> | <u>Fiduciary</u><br><u>Funds</u> | <u>Total</u> |
|---------------------------|--|----------------------------------|--------------|
| Cash and Cash Equivalents | \$ 441,916                               | \$ 153,824                       | \$ 595,740   |

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

|                        | <u>Amount</u>     |
|------------------------|-------------------|
| Cash on Hand           | \$ 1,000          |
| Demand Accounts        | 54,154            |
| County Investment Pool | 540,586           |
| Total                  | <u>\$ 595,740</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 Certificates of Deposit, U.S. Government Securities, 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, \$56,166 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 \$1,441,612 for the Elementary School District and \$1,227,593 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:

REED POINT SCHOOL DISTRICT NO. 9-9

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

| Elementary Fund         | Mill Levies   | Taxes            |
|-------------------------|---------------|------------------|
|                         |               | Receivable       |
| General*                | 151.49        | \$ 12,668        |
| Transportation          | 25.05         | 2,350            |
| Bus Depreciation        | 12.39         | 1,166            |
| Adult Education         | 0.00          | 11               |
| Debt Service            | 0.00          | 717              |
| Building Reserve        | 0.00          | 91               |
| <u>High School Fund</u> |               |                  |
| General*                | 75.16         | 5,539            |
| Transportation          | 13.73         | 1,398            |
| Bus Depreciation        | 8.34          | 735              |
| Adult Education         | 0.00          | 2                |
| Debt Service            | 0.00          | 1,201            |
| Building Reserve        | 0.00          | 86               |
| Total                   | <u>286.16</u> | <u>\$ 25,964</u> |

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

| Elementary Fund         | Amount           | Due From           | Reason                        |
|-------------------------|------------------|--------------------|-------------------------------|
| General*                | \$ 28,679        | Sweet Grass County | Outstanding County remittance |
| Transportation          | 5,537            | Sweet Grass County | Outstanding County remittance |
| Bus Depreciation        | 2,389            | Sweet Grass County | Outstanding County remittance |
| Retirement              | 8,638            | Sweet Grass County | Outstanding County remittance |
| Adult Education         | 7                | Sweet Grass County | Outstanding County remittance |
| Debt Service            | 491              | Sweet Grass County | Outstanding County remittance |
| Building Reserve        | 100              | Sweet Grass County | Outstanding County remittance |
| <u>High School Fund</u> |                  |                    |                               |
| General*                | 7,482            | Sweet Grass County | Outstanding County remittance |
| Transportation          | 2,013            | Sweet Grass County | Outstanding County remittance |
| Bus Depreciation        | 830              | Sweet Grass County | Outstanding County remittance |
| Retirement*             | 3,705            | State of Montana   | Medicaid                      |
| Miscellaneous           | 2,646            | State of Montana   | Medicaid                      |
| Traffic Education       | 986              | State of Montana   | Traffic reimbursement         |
| Total                   | <u>\$ 63,503</u> |                    |                               |

\* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

| Governmental Activities:          | Balance             |                    | Balance             |
|-----------------------------------|---------------------|--------------------|---------------------|
|                                   | July 1, 2013        | Additions          |                     |
| <u>Non-depreciable:</u>           |                     |                    |                     |
| Land                              | \$ 14,637           | \$ 0               | \$ 14,637           |
| Total Non-depreciable             | <u>\$ 14,637</u>    | <u>\$ 0</u>        | <u>\$ 14,637</u>    |
| <u>Depreciable:</u>               |                     |                    |                     |
| Buildings                         | \$ 1,328,177        | \$ 0               | \$ 1,328,177        |
| Improvements other than buildings | 35,153              | 0                  | 35,153              |
| Machinery and equipment           | 370,334             | 157,027            | 527,361             |
| Total Depreciable                 | <u>\$ 1,733,664</u> | <u>\$ 157,027</u>  | <u>\$ 1,890,691</u> |
| <u>Accumulated Depreciation:</u>  |                     |                    |                     |
| Buildings                         | \$ (14,080)         | \$ (2,324)         | \$ (16,404)         |
| Improvements other than buildings | (559,437)           | (30,269)           | (589,706)           |
| Machinery and equipment           | (228,406)           | (42,366)           | (270,772)           |
| Total Depreciation                | <u>\$ (801,923)</u> | <u>\$ (74,959)</u> | <u>\$ (876,882)</u> |
| Net Depreciable Assets            | <u>931,741</u>      | <u>82,068</u>      | <u>1,013,809</u>    |
| Net General Capital Assets        | <u>\$ 946,378</u>   | <u>\$ 82,068</u>   | <u>\$ 1,028,446</u> |

REED POINT SCHOOL DISTRICT NO. 9-9

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              | \$ 22,317        |
| Media                      | 1,937            |
| School Administration      | 1,084            |
| Operation & Maintenance    | 7,964            |
| Transportation             | 33,230           |
| School Food                | 2,100            |
| Extracurricular            | 6,327            |
| Total Depreciation Expense | <u>\$ 74,959</u> |

NOTE 6. CHANGES IN LONG-TERM DEBT

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

| <u>Governmental Activities</u>                  | <u>Balance</u><br><u>July 1, 2013</u> | <u>New Debt</u><br><u>and Other</u><br><u>Additions</u> | <u>Principal</u><br><u>Payments</u><br><u>and Other</u><br><u>Reductions</u> | <u>Balance</u><br><u>June 30, 2014</u> | <u>Due within</u><br><u>One Year</u> |
|---|---------------------------------------|---|--|--|--------------------------------------|
| <u>Other Liabilities:</u>                       |                                       |   |  |  |                                      |
| Compensated Absences                            | \$ 45,323                             | \$ 0  | \$ (320)   | \$ 45,003                              | \$ 8,427                             |
| Other Post-Employment Benefits (OPEB)           | 2,468                                 | 617   | 0  | 3,085                                  | 0                                    |
| Total Governmental Activities - Long-Term Debt: | <u>\$ 47,791</u>                      | <u>\$ 617</u>   | <u>\$ (320)</u>  | <u>\$ 48,088</u>                       | <u>\$ 8,427</u>                      |

NOTE 7. DEFERRED INFLOWS OF RESOURCES

PROPERTY TAXES

| <u>Elementary Fund</u>  | <u>Amount</u>    | <u>Reason</u>    |
|-------------------------|------------------|------------------|
| General*                | \$ 12,668        | Taxes Receivable |
| Transportation          | 2,350            | Taxes Receivable |
| Bus Depreciation        | 1,166            | Taxes Receivable |
| Adult Education         | 11               | Taxes Receivable |
| Debt Service            | 717              | Taxes Receivable |
| Building Reserve        | 91               | Taxes Receivable |
| <u>High School Fund</u> |                  |                  |
| General*                | 5,539            | Taxes Receivable |
| Transportation          | 1,398            | Taxes Receivable |
| Bus Depreciation        | 735              | Taxes Receivable |
| Adult Education         | 2                | Taxes Receivable |
| Debt Service            | 1,201            | Taxes Receivable |
| Building Reserve        | 86               | Taxes Receivable |
| Total                   | <u>\$ 25,964</u> |                  |

\* Denotes Major Funds

NOTE 8. DEFICIT FUND BALANCES

| <u>High School Fund</u> | <u>Amount</u>   | <u>How to Correct</u>                          |
|-------------------------|-----------------|--|
| Retirement*             | <u>\$ 5,469</u> | Retirement reimbursement from State of Montana |

\* Denotes Major Funds

REED POINT SCHOOL DISTRICT NO. 9-9

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

NOTE 9. PRIOR PERIOD ADJUSTMENTS

| <u>Elementary Fund</u>  | <u>Amount</u> | <u>REASON</u>                                       |
|-------------------------|---------------|---|
| General*                | \$ 18,926     | Combine Flex and Metal Mine funds with General fund |
| Flexibility             | (11,478)      | Combine Flexibility fund with General fund          |
| Metal Mines             | (7,448)       | Combine Metal Mine fund with General fund           |
| <u>High School Fund</u> |               |   |
| General*                | 14,824        | Combine Flex and Metal Mine funds with General fund |
| Flexibility             | (11,914)      | Combine Flexibility fund with General fund          |
| Metal Mines             | (2,910)       | Combine Metal Mine fund with General fund           |
| Total                   | <u>\$ 0</u>   |   |

\* Denotes Major Funds

NOTE 10. TRANSFERS

| <u>Elementary Fund - From</u>  | <u>Amount</u>    | <u>Elementary Fund - To</u>  |
|--------------------------------|------------------|------------------------------|
| General*                       | \$ 1,250         | Compensated absences         |
| Transportation                 | 2,539            | Building Reserve             |
| Debt Service                   | 19,303           | Building Reserve             |
| <u>High School Fund - From</u> |                  | <u>High School Fund - To</u> |
| General*                       | 1,250            | Compensated absences         |
| Transportation                 | 2,539            | Building Reserve             |
| Debt Service                   | 7,789            | Building Reserve             |
| Total                          | <u>\$ 34,670</u> |                              |

\* Denotes Major Funds

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description – The District provides the same health care plan to all of its members. The implicit subsidy is \$6,924 per member. The 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. The District does not pay any retirement after the employee retires.

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, 2012 was as follows:

|   |              |
|---|--------------|
| Actuarial Accrued Liability (AAL)                 | \$ 4,565     |
| Actuarial value of plan assets                    | <u>0</u>     |
| Unfunded Actuarial Accrued Liability (UAAL)       | <u>4,565</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%           |
| Covered payroll (active plan members)             | \$ 756,027   |
| UAAL as a percentage of covered payroll           | 0.6%         |

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, 2012.

REED POINT SCHOOL DISTRICT NO. 9-9

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

|   |    |              |
|---|----|--------------|
| Annual Required Contribution (ARC)      | \$ | 617          |
| Interest on net OPEB obligation         |    | 0            |
| Adjustment to ARC                       |    | 0            |
| Annual OPEB cost (expense)              |    | 617          |
| Contribution made                       |    | 0            |
| Increase in net OPEB obligation         |    | 617          |
| Net OPEB obligation - beginning of year |    | 2,468        |
| Net OPEB obligation - end of year       | \$ | <u>3,085</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)             | 3.00%                   |
| Average Salary Increase                              | 1.20%                   |
| Health care cost rate trend                          |                         |
| Year   | % Increase              |
| 2015 and after                                       | 3.00%                   |

NOTE 12. 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*                | \$ 5,771         |
| Transportation          | 903              |
| School Food             | 199              |
| Miscellaneous           | 2,608            |
| <u>High School Fund</u> |                  |
| General*                | 4,127            |
| Transportation          | 903              |
| Miscellaneous           | 405              |
| Inter-Local Agreement   | 3,691            |
| Total                   | <u>\$ 18,607</u> |

\* Denotes Major Funds

NOTE 13. 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 inter-local 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.

REED POINT SCHOOL DISTRICT NO. 9-9

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

NOTE 14. 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/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   | \$ 20,440         | \$ 24,618         | \$ 27,055         |
| PERS  | <u>100,193</u>    | <u>93,290</u>     | <u>166,425</u>    |
| Total | <u>\$ 120,633</u> | <u>\$ 117,908</u> | <u>\$ 193,480</u> |

NOTE 15. SPECIAL EDUCATION COOPERATIVE

The Reed Point School District No. 9-9 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 Reed Point School District No. 9-9, 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 16. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

REED POINT SCHOOL DISTRICT NO. 9-9

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

16. a. MULTIDISTRICT COOPERATIVE

The Reed Point Elementary District and Reed Point High School District entered into an agreement to increase flexibility and efficiency of each participating district.

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any school district and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

Reed Point High School District is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperating is accounted for in fund 82 of the Reed Point High School District. During fiscal year ended June 30, 2014 transfers to the interlocal agreement were as follows: \$42,335 High school General Fund.

REED POINT SCHOOL DISTRICT NO. 9-9

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

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value<br/>of Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL) -<br/>Entry Age (b)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded Ratio<br/>(a / b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>[(b-a) / c]</u> |
|---|--|--|--|---------------------------------|------------------------------------|--|
| <u>7/1/2012</u>                         | <u>0</u>   | <u>\$4,565</u>   | <u>\$4,565</u>                               | <u>0%</u>                       | <u>\$756,027</u>                   | <u>0.6%</u>  |

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

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)     |                 |                  | Retirement (HS)    |                 |                   |
|--|--------------------|-----------------|------------------|--------------------|-----------------|-------------------|
|  | Original<br>Budget | Final<br>Budget | Actual           | Original<br>Budget | Final<br>Budget | Actual            |
| <b>REVENUES:</b>                                     |                    |                 |                  |                    |                 |                   |
| District Levies                                      | \$ 218,393         | \$ 218,393      | \$ 222,547       | \$ -               | \$ -            | \$ -              |
| Interest   | 71                 | 71              | 31               | -                  | -               | 29                |
| Other  | 43                 | 43              | 143              | -                  | -               | -                 |
| County   | -                  | -               | -                | 41,299             | 41,299          | 41,299            |
| State  | 303,661            | 303,661         | 303,660          | -                  | -               | -                 |
| Total Revenues                                       | <u>522,168</u>     | <u>522,168</u>  | <u>526,381</u>   | <u>41,299</u>      | <u>41,299</u>   | <u>41,328</u>     |
| <b>EXPENDITURES:</b>                                 |                    |                 |                  |                    |                 |                   |
| Current  |                    |                 |                  |                    |                 |                   |
| Instructional Services                               |                    |                 | 305,548          | 41,405             | 41,405          | 59,653            |
| Support Services                                     |                    |                 | 7,392            | 2,005              | 2,005           | 2,005             |
| Educational Media Services                           |                    |                 | 11,904           | 661                | 661             | 661               |
| General Administrative Services                      |                    |                 | 103,325          | 9,895              | 9,895           | 9,895             |
| Operation & Maintenance Services                     |                    |                 | 69,917           | 4,048              | 4,048           | 4,048             |
| Transportation Services                              |                    |                 | 2,611            | 1,983              | 1,983           | 1,983             |
| School Food Services                                 |                    |                 | 10,774           | 1,007              | 1,007           | 1,007             |
| Extracurricular                                      |                    |                 | 7,051            | 2,746              | 2,746           | 2,746             |
| Capital Outlay                                       |                    |                 | 2,397            | -                  | -               | -                 |
| Total Expenditures                                   | <u>522,168</u>     | <u>522,168</u>  | <u>520,919</u>   | <u>63,750</u>      | <u>63,750</u>   | <u>81,998</u>     |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | -                  | -               | 5,462            | (22,451)           | (22,451)        | (40,670)          |
| <b>OTHER FINANCING SOURCES/USES</b>                  |                    |                 |                  |                    |                 |                   |
| Fund Transfers (Out)                                 |                    |                 | (1,250)          | -                  | -               | -                 |
| Total Other financial Sources/Uses                   | -                  | -               | (1,250)          | -                  | -               | -                 |
| NET CHANGES IN FUND BALANCES                         | -                  | -               | 4,212            | (22,451)           | (22,451)        | (40,670)          |
| <b>FUND BALANCE:</b>                                 |                    |                 |                  |                    |                 |                   |
| Beginning of the Year                                |                    |                 | 36,350           |                    |                 | 35,201            |
| End of the Year                                      |                    |                 | <u>\$ 40,562</u> |                    |                 | <u>\$ (5,469)</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<br>Budget | Final<br>Budget | Actual           | Original<br>Budget       | Final<br>Budget | Actual           |
| <b>REVENUES:</b>   |                    |                 |                  |                          |                 |                  |
| District Levies  | \$ 92,280          | \$ 92,280       | \$ 93,180        | \$ -                     | \$ -            | \$ -             |
| Interest   | 241                | 241             | 132              | -                        | -               | 25               |
| Other  | -                  | -               | 199              | -                        | -               | -                |
| County   | 414,070            | 414,070         | -                | -                        | -               | -                |
| State  | -                  | -               | 414,070          | 3,282                    | 3,282           | 3,282            |
| <b>Total Revenues</b>  | <u>506,591</u>     | <u>506,591</u>  | <u>507,581</u>   | <u>3,282</u>             | <u>3,282</u>    | <u>3,307</u>     |
| <b>EXPENDITURES:</b>   |                    |                 |                  |                          |                 |                  |
| <b>Current</b>   |                    |                 |                  |                          |                 |                  |
| Instructional Services                                       |                    |                 | 241,607          | 11,129                   | 11,129          | 969              |
| Support Services   |                    |                 | 7,494            | -                        | -               | -                |
| Educational Media Services                                   |                    |                 | 6,560            | -                        | -               | -                |
| General Administrative Services                              |                    |                 | 100,931          | -                        | -               | -                |
| Operation & Maintenance Services                             |                    |                 | 65,290           | 1,631                    | 1,631           | 1,632            |
| Transportation Services                                      |                    |                 | 4,238            | -                        | -               | -                |
| School Food Services   |                    |                 | 10,773           | -                        | -               | -                |
| Extracurricular  |                    |                 | 23,716           | 1,593                    | 1,593           | 1,593            |
| Capital Outlay   |                    |                 | 2,397            | -                        | -               | -                |
| <b>Total Expenditures</b>                                    | <u>506,591</u>     | <u>506,591</u>  | <u>463,006</u>   | <u>14,353</u>            | <u>14,353</u>   | <u>4,194</u>     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>-</u>           | <u>-</u>        | <u>44,575</u>    | <u>(11,071)</u>          | <u>(11,071)</u> | <u>(887)</u>     |
| <b>OTHER FINANCING SOURCES/USES</b>                          |                    |                 |                  |                          |                 |                  |
| Fund Transfers (Out)   |                    |                 | (43,585)         | -                        | -               | -                |
| <b>Total Other financial Sources/Uses</b>                    | <u>-</u>           | <u>-</u>        | <u>(43,585)</u>  | <u>-</u>                 | <u>-</u>        | <u>-</u>         |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <u>-</u>           | <u>-</u>        | <u>990</u>       | <u>(11,071)</u>          | <u>(11,071)</u> | <u>(887)</u>     |
| <b>FUND BALANCE:</b>   |                    |                 |                  |                          |                 |                  |
| Beginning of the Year  |                    |                 | 51,448           |                          |                 | 11,071           |
| End of the Year  |                    |                 | <u>\$ 52,438</u> |                          |                 | <u>\$ 10,184</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<br>Budget    | Final<br>Budget | Actual           |
| REVENUES:  |                       |                 |                  |
| District Levies                                      | \$ -                  | \$ -            | \$ -             |
| Interest   | -                     | -               | 27               |
| Other  | -                     | -               | -                |
| County   | -                     | -               | -                |
| State  | 3,004                 | 3,004           | 3,004            |
| Total Revenues                                       | <u>3,004</u>          | <u>3,004</u>    | <u>3,031</u>     |
| EXPENDITURES:  |                       |                 |                  |
| Current  |                       |                 |                  |
| Instructional Services                               | -                     | -               | -                |
| Support Services                                     | -                     | -               | -                |
| Educational Media Services                           | -                     | -               | -                |
| General Administrative Services                      | -                     | -               | -                |
| Operation & Maintenance Services                     | -                     | -               | -                |
| Transportation Services                              | -                     | -               | -                |
| School Food Services                                 | -                     | -               | -                |
| Extracurricular                                      | 14,918                | 14,918          | 1,593            |
| Capital Outlay                                       | -                     | -               | -                |
| Total Expenditures                                   | <u>14,918</u>         | <u>14,918</u>   | <u>1,593</u>     |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(11,914)</u>       | <u>(11,914)</u> | <u>1,438</u>     |
| OTHER FINANCING SOURCES/USES                         |                       |                 |                  |
| Fund Transfers (Out)                                 | -                     | -               | -                |
| Total Other financial Sources/Uses                   | <u>-</u>              | <u>-</u>        | <u>-</u>         |
| NET CHANGES IN FUND BALANCES                         | (11,914)              | (11,914)        | 1,438            |
| FUND BALANCE:  |                       |                 |                  |
| Beginning of the Year                                |                       |                 | <u>11,914</u>    |
| End of the Year                                      |                       |                 | <u>\$ 13,352</u> |

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

REED POINT SCHOOL DISTRICT NO. 9-9

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, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, 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.

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. FUND BALANCE RECONCILIATION

The fund balances of the general fund 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 \$13,589. 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.

NOTE 3. BUDGET AMENDMENT

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

REED POINT SCHOOL DISTRICT NO. 9-9

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

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

|                    | <u>Sub-fund</u>   | <u>Sub-fund</u>   | <u>Sub-fund</u>    | <u>Sub-fund</u>  | <u>Sub-fund</u>    | <u>Sub-fund</u> | <u>Sub-fund</u>   | <u>Total</u>        |
|--------------------|-------------------|-------------------|--------------------|------------------|--------------------|-----------------|-------------------|---------------------|
|                    | <u>General</u>    | <u>General</u>    | <u>Flexibility</u> | <u>Metal</u>     | <u>Flexibility</u> | <u>Metal</u>    | <u>Interlocal</u> | <u>General</u>      |
|                    | <u>Fund</u>       | <u>Fund</u>       | <u>Fund (Elem)</u> | <u>Mines</u>     | <u>Fund (HS)</u>   | <u>Mines</u>    | <u>Fund</u>       | <u>Fund</u>         |
|                    | <u>(Elem)</u>     | <u>(HS)</u>       |                    | <u>Tax</u>       |                    | <u>Tax</u>      |                   |                     |
|                    |                   |                   |                    | <u>(Elem.)</u>   |                    | <u>(HS)</u>     |                   |                     |
|                    |                   |                   |                    | <u>Fund</u>      |                    | <u>Fund</u>     |                   |                     |
| REVENUES:          |                   |                   |                    |                  |                    |                 |                   |                     |
| District Levies    | \$ 222,547        | \$ 93,180         | \$ 0               | \$ 0             | \$ 0               | \$ 0            | \$ 0              | \$ 315,727          |
| Interest Earnings  | 31                | 132               | 25                 | 18               | 27                 | 8               | 135               | 376                 |
| Other              | 143               | 199               | 0                  | 0                | 0                  | 0               | 0                 | 342                 |
| County             | 0                 | 0                 | 0                  | 4,937            | 0                  | 2,468           | 0                 | 7,405               |
| State Sources      | 303,660           | 414,770           | 3,282              | 0                | 3,004              | 0               | 0                 | 724,016             |
| Total Revenues     | <u>\$ 526,381</u> | <u>\$ 507,581</u> | <u>\$ 3,307</u>    | <u>\$ 4,955</u>  | <u>\$ 3,031</u>    | <u>\$ 2,476</u> | <u>\$ 135</u>     | <u>\$ 1,047,866</u> |
| EXPENDITURES:      |                   |                   |                    |                  |                    |                 |                   |                     |
| Instructional      |                   |                   |                    |                  |                    |                 |                   |                     |
| Services           | 308,881           | 248,600           | 969                | 0                | 0                  | 0               | 3,723             | 562,173             |
| Support Services   | 7,392             | 7,494             | 0                  | 0                | 0                  | 0               | 0                 | 14,886              |
| Educational Media  | 11,904            | 6,560             | 0                  | 0                | 0                  | 0               | 0                 | 18,464              |
| General            |                   |                   |                    |                  |                    |                 |                   |                     |
| Administrative     | 103,325           | 100,931           | 0                  | 0                | 0                  | 0               | 882               | 205,138             |
| Operation &        |                   |                   |                    |                  |                    |                 |                   |                     |
| Maintenance        | 69,917            | 65,290            | 2,039              | 0                | 0                  | 0               | 1,649             | 138,895             |
| Transportation     | 2,611             | 4,238             | 0                  | 0                | 0                  | 0               | 0                 | 6,849               |
| Extracurricular    | 7,051             | 23,716            | 1,593              | 0                | 1,593              | 0               | 0                 | 33,953              |
| School Food        | 10,774            | 10,773            | 0                  | 0                | 0                  | 0               | 0                 | 21,547              |
| Capital outlay     | 2,397             | 2,397             | 0                  | 0                | 0                  | 0               | 0                 | 4,794               |
| Total Expenditures | <u>\$ 524,252</u> | <u>\$ 469,999</u> | <u>\$ 4,601</u>    | <u>\$ 0</u>      | <u>\$ 1,593</u>    | <u>\$ 0</u>     | <u>\$ 6,254</u>   | <u>\$ 1,006,699</u> |
| Transfers In (Out) | (1,250)           | (43,585)          | 0                  | 0                | 0                  | 0               | 42,335            | (2,500)             |
| Net Changes In     |                   |                   |                    |                  |                    |                 |                   |                     |
| Fund Balance       | 879               | (6,003)           | (1,294)            | 4,955            | 1,438              | 2,476           | 36,216            | 38,667              |
| FUND BALANCE:      |                   |                   |                    |                  |                    |                 |                   |                     |
| Beginning of       |                   |                   |                    |                  |                    |                 |                   |                     |
| the Year           | 45,454            | 62,568            | 11,478             | 7,448            | 11,914             | 2,910           | 70,165            | 211,937             |
| Ending of the Year | <u>\$ 46,333</u>  | <u>\$ 56,565</u>  | <u>\$ 10,184</u>   | <u>\$ 12,403</u> | <u>\$ 13,352</u>   | <u>\$ 5,386</u> | <u>\$ 106,381</u> | <u>\$ 250,604</u>   |

In the reconciliation the general fund, flexibility funds, metal mines tax reserve funds, and inter-local fund 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, metal mines tax reserve funds, and inter-local fund 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. The following major funds are not reported because the metal mines tax fund and inter-local agreement fund are non-budgeted fund special revenue funds.

REED POINT SD  
Schedule of Revenues, Expenses and Balances Expendable Trust -  
Student Activity Funds  
Fiscal Year-Ended June 30, 2014

| Activity Account Name | Beginning<br>Balance<br><u>7/1/2013</u> | Revenues      | Expenses      | Transfers | Ending Balance<br><u>6/30/2014</u> |
|-----------------------|---|---------------|---------------|-----------|------------------------------------|
| STUDENT BODY          | 1,887                                   | 5,531         | 5,213         | -         | 2,205                              |
| CLASS OF 2013         | 142                                     | -             | -             | (142)     | -                                  |
| CLASS OF 2014         | 1,525                                   | 6,545         | 7,626         | -         | 444                                |
| CLASS OF 2015         | 495                                     | 4,408         | 3,589         | -         | 1,314                              |
| CLASS of 2016         | 579                                     | 1,448         | 1,066         | -         | 961                                |
| CLASS OF 2017         | 481                                     | 61            | 162           | 142       | 522                                |
| CLASS OF 2018         | 81                                      | 185           | 111           | -         | 155                                |
| CLASS OF 2019         | -                                       | 190           | 111           | -         | 79                                 |
| ANNUAL                | 2,401                                   | 2,567         | 1,278         | -         | 3,690                              |
| SCIENCE CLUB          | 480                                     | -             | 40            | -         | 440                                |
| ATHLETICS             | 14,509                                  | 17,288        | 15,925        | (7)       | 15,865                             |
| ELEMENTARY            | 6,196                                   | 4,783         | 3,738         | -         | 7,241                              |
| FCCLA                 | 15,473                                  | 40,974        | 38,193        | 175       | 18,429                             |
| SPANISH CLUB          | 8                                       | -             | -             | -         | 8                                  |
| BPA                   | 804                                     | -             | -             | -         | 804                                |
| LIBRARY MEDIA         | 421                                     | 600           | 619           | -         | 402                                |
| ART                   | 693                                     | 582           | 680           | -         | 595                                |
| MUSIC                 | 193                                     | -             | -             | -         | 193                                |
| INTEREST INCOME       | 4                                       | 25            | -             | -         | 29                                 |
| CLEARING FUND         | (140)                                   | 6,804         | 6,664         | -         | -                                  |
| EF TOURS              | -                                       | 1,688         | 743           | (168)     | 777                                |
| <b>Total</b>          | <u>46,232</u>                           | <u>93,679</u> | <u>85,758</u> | <u>-</u>  | <u>54,153</u>                      |

REED POINT SCHOOL DISTRICT NO. 9-9

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   | 7               | 7              | 0               |
| Grade 1 - 6         | 31              | 31             | 0               |
| Grade 7 - 8         | 12              | 12             | 0               |
| Total               | <u>50</u>       | <u>50</u>      | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | 26              | 26             | 0               |
| 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 | 2               | 2              | 0               |
| Total Part-time     | <u>2</u>        | <u>2</u>       | <u>0</u>        |
| 19 year olds        | 0               | 0              | 0               |

WINTER ENROLLMENT - DECEMBER, 2013

|                     |                 |                |                 |
|---------------------|-----------------|----------------|-----------------|
| Elementary          |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Kindergarten Full   | 6               | 6              | 0               |
| Grade 1 - 6         | 31              | 31             | 0               |
| Grade 7 - 8         | 12              | 12             | 0               |
| Total               | <u>49</u>       | <u>49</u>      | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | 27              | 27             | 0               |
| 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 | 2               | 2              | 0               |
| Total Part-time     | <u>2</u>        | <u>2</u>       | <u>0</u>        |
| 19 year olds        | 0               | 0              | 0               |

SPRING ENROLLMENT - FEBRUARY, 2014

|                     |                 |                |                 |
|---------------------|-----------------|----------------|-----------------|
| Elementary          |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Kindergarten Full   | 5               | 5              | 0               |
| Grade 1 - 6         | 32              | 32             | 0               |
| Grade 7 - 8         | 12              | 12             | 0               |
| Total               | <u>49</u>       | <u>49</u>      | <u>0</u>        |
| High School         |                 |                |                 |
|                     | <u>Reported</u> | <u>Audited</u> | <u>Variance</u> |
| Grade 9 - 12        | 27*             | 27*            | 0               |
| 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 | 1               | 1              | 0               |
| Total Part-time     | <u>1</u>        | <u>1</u>       | <u>0</u>        |
| 19 year olds        | 0               | 0              | 0               |

\* - Includes 2 early graduates

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  
Reed Point School District No. 9-9  
Stillwater County  
Reed Point, Montana 59069

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 Reed Point School District No. 9-9 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Reed Point School District No. 9-9's basic financial statements and have issued our report thereon dated June 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Reed Point School District No. 9-9'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2014 -001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Reed Point School District No. 9-9'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*.

### Reed Point School District No. 9-9's Response to Findings

The District did not provide a response to the findings identified in our audit are described in the schedule of 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  
June 23, 2015

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report for the year ending June 30, 2013.

The following is the findings updated for the fiscal year ended June 30, 2014.

2014-001 – Compensated Absences:

Criteria: Generally Accepted Accounting Principles (GAAP) requires the District to properly recorded/reported all liabilities.  
Condition: The entire amount of total liabilities for compensated absences was not reported on the Trustees Financial Summary (TFS).  
Effect: The effect was that Compensated Absences were under reported on the Trustees Financial Summary.  
Context: The Schedule of Long Term Debt on the TFS must include the compensated absences for both the certified and the classified employees of the district. Compensated absences were under reported by \$17,232..  
Cause: The cause was following improper procedures for the reporting of compensated absences.  
Recommendation: We recommend that the clerk only use the classified for calculating what the allowed cash balance should be in the compensated absence fund. Than when preparing the Schedule of Long Term Debt on the Trustees Financial Summary (TFS) they should include both the Certified and the Classified compensated absences on the schedule.