

Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

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Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

**ORGANIZATION**  
Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Kurt Myllymaki	Chairman
Ward Small	Vice Chairman
Jason Oltrogge	Trustee
Jim Dye	Trustee
Jennifer Taylor	Trustee

**OFFICIALS**

Nancy Coleman	Superintendent
Kelly Bokma	Business Manager/District Clerk
Julie Peevey	County Superintendent
Mark Westveer	County Attorney

## Stanford K-12 Schools

### Management's Discussion and Analysis

This section of the Stanford School District Financial Statements presents the management's discussion and analysis of the financial performance during the fiscal year ending June 30, 2014. This narrative overview and analysis of the financial activities of the Stanford District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

### Financial Highlights

- ✚ The Stanford District assets exceeded liabilities in FY (fiscal year) 2014 by \$957,482.
- ✚ The Stanford School District net position decreased by 4.13% at the close of FY 2014.
- ✚ The overall revenues from all sources for the Stanford School District for the FY 2014 were \$1,724,503 which represented a 12.53% decrease from the previous year. Most of the decrease in revenue can be attributed to a one time capital grant in FY 2013 of \$201,661 which caused the decrease when it did not occur in FY 2014.
- ✚ State sources of revenue decreased 2% or \$14,064 in the FY 2014.
- ✚ Revenue from property taxes collected at the local level increased by 5.6% or \$37,880 in FY 2014 and account for 41.4% of the total district revenue in FY 2014 (34.3% in FY 2013).
- ✚ Revenue from operating grants and contributions was down 27.7% or \$53,624 for FY 2014.
- ✚ Approximately 39.3% of the total Stanford School District revenue was collected from state sources in FY 2014 compared to 35.1% in FY 2013.
- ✚ The District expenses increased 5.79% (\$95,714) for FY 2014 and were \$1,747,631.
- ✚ The Stanford School District expenses exceeded revenues for FY 2014 by \$23,128.
- ✚ The district capital assets decreased 11.2% due to depreciation.
- ✚ Expenses for instruction increased 4.86% in FY 2014 and account for 53% (53.5% in FY 2013) of the district expenses.
- ✚ The district had total governmental fund balances of \$493,880 at the end of FY 2014 which was a 3.9% increase from FY 2013.
- ✚ The overall financial position of the Stanford School District is strong even with a slight decrease in net position in FY 2014.

### ***Overview of the Stanford School District Financial Statements***

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Stanford K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also, contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Stanford School District finances in a manner similar to a private-sector business. This broad overview will be accomplished using a *statement of net position* and a *statement of activities*. Each statement will distinguish between governmental and business type activities and between the total governmental and business type activities of the school district.

The *statement of net position* presents information on all of the assets and liabilities of the Stanford School District, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Stanford School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Stanford School District principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government fall into the governmental activity category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, community services, and other expenditures. The Stanford District does not operate any business-type activities.

### **Fund-based Financial Statements**

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The Stanford District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Stanford District can be divided into three categories: governmental, proprietary, and fiduciary funds.

## **Governmental funds**

*Governmental funds* are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Board of Trustees of the Stanford Schools. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Stanford School District is recognized by state law as one entity which consists of the Elementary School (grades K-8) and High School (grades 9-12). Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Retirement Fund, Bus Depreciation Fund, and the Miscellaneous Fund because they were the major funds for the 2014 fiscal year. The other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Stanford District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. A budgetary comparison is provided for all budgeted funds later in this report.

## **Proprietary funds**

Proprietary funds statements offer short-term and long-term financial information about the activities the district may operate similar to business. Enterprise funds account for activities for which a fee is charged to external users and internal service funds account for activities that provide goods or services to other funds. The Stanford District does not operate any proprietary funds.

## **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the Stanford School District. Student activity accounts and scholarship trusts are the most common fiduciary funds in school district. The Stanford School District has fiduciary funds in their Student Activity Account Fund and Private Purpose Trust Fund.

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements and can be found later in this report.

### **Other information**

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the official student enrollment and federal grant audit reports.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the Stanford School District, assets exceeded liabilities by \$957,483 at the close of FY 2014. Net position for the district at the end of FY 2014 showed a 4.13% decrease from the close of FY 2013. Current and other assets increased by 10.6% while capital assets decreased by 11.2%. The decrease in capital assets was due to depreciation. District liabilities increased by 17.3% mostly due to the cost of liabilities associated with compensated absence of employees. The total net position of the district decreased 4.13% during FY 2014 after an asset decrease of 1.6% and a liability increase of 17.3%. The chart on the following page presents information on the district net position for FY 2013 and FY 2014. The right hand column shows the percentage change in each category.

### **Overall Financial Position of the District for FY 2014**

The overall financial position of the Stanford School District at the end of FY 2014 was very strong even with a slight decrease in net position for the district. During FY 2014 the district net position decreased by 4.13% or \$41,254. The district had an asset decrease of \$18,074 (down 1.6%) and a liability increase of \$23,181 (up 17.3%). The decrease in assets was the result of an increase in current and other assets of 10.6% or \$52,939 and capital assets decreased of \$71,013 due to depreciation. In addition, the major funds of the district all showed balance increases in FY 2014 with the exception of the Miscellaneous Fund which decreased. The General Fund balance increased \$5,485, the Retirement Fund increased \$14,917, the Bus Depreciation Fund increased \$5,295, the Miscellaneous Fund decreased \$19,553, and all other funds increased \$12,184. The overall net financial position of the district at the end of FY 2014 was very strong even with a slight decrease.

## Net Position of the Stanford School District

	Governmental Activities			
	FY 2013	FY 2014	Change	Percent Change
Current and Other Assets	\$499,091	\$552,030	\$52,939	10.61%
Capital Assets	\$633,601	\$562,588	(\$71,013)	-11.21%
Total Assets	\$1,132,692	\$1,114,618	(\$18,074)	-1.60%
Liabilities				
Current Liabilities	\$4,051	\$33,812	\$29,761	734.66%
Long-term Liabilities Outstanding	\$129,904	\$123,324	(\$6,580)	-5.07%
Total Liabilities	\$133,955	\$157,136	\$23,181	17.31%
Net Position				
Investment in Capital Assets	\$633,601	\$562,588	(\$71,013)	-11.21%
Restricted	\$22,231	\$296,389	\$274,158	1233%
Unrestricted	\$342,905	\$98,506	(\$244,399)	-71.3%
Total Net Position	\$998,737	\$957,483	(\$41,254)	-4.13%

A large portion of the net position of the Stanford District at the close of FY 2014 (58.7% – was 63.4% in FY 2013) reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Stanford District have no related debt. The Stanford School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending.

Another portion of the net position of the Stanford School District (39.2% in FY 2014 – was 34.3% in FY 2013) represent *unrestricted funds* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The unrestricted funds increased 9.3% from FY 2013 to FY 2014. The *restricted funds* which are subject to external restrictions on use remained nearly the same in FY 2013 and FY 2014 and represented 2% of the total position. The Stanford School District was able to report a positive balance of net position for both the government as a whole, as well as for governmental activities. The net position of the Stanford School District decreased \$41,254 or 4.13% during FY 2014. This decrease in net position had a small negative impact on the overall strong financial position of the district.

### ***Governmental activities***

Net position derived from governmental activities for the Stanford School District decreased by 4.13% or \$41,254 during FY 2014.

## District Wide - Statement of Activities

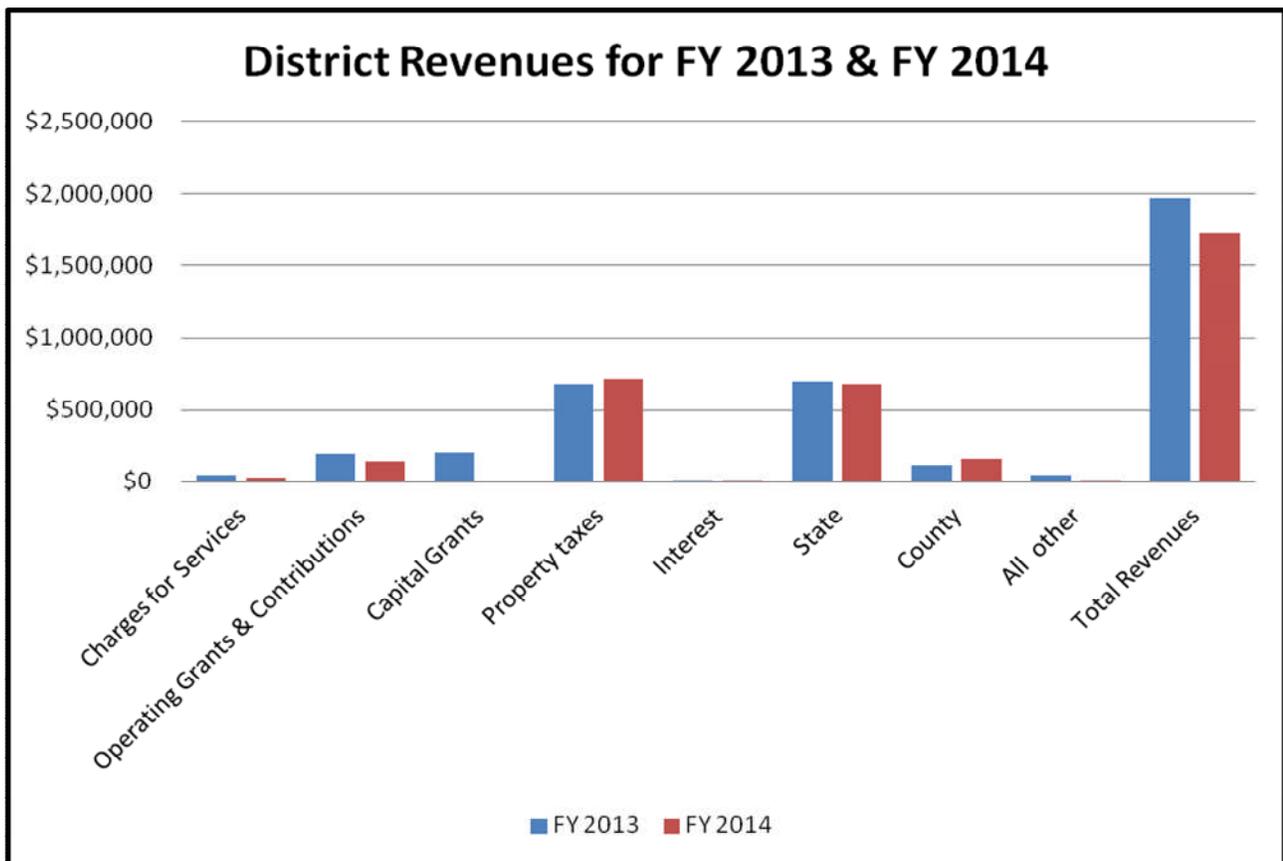
	Governmental Activities		Change	% Change
	FY 2013	FY 2014		
Program revenues:				
Charges for Services	\$47,720	\$28,646	(\$19,074)	-39.97%
Operating Grants & Contributions	\$193,606	\$139,982	(\$53,624)	-27.70%
Capital Grants	\$201,661	\$0	(\$201,661)	-100.00%
General revenues				
Property taxes	\$676,618	\$714,498	\$37,880	5.60%
Interest	\$674	\$903	\$229	33.98%
State	\$692,363	\$678,299	(\$14,064)	-2.03%
County	\$114,359	\$160,000	\$45,641	39.91%
All other	\$44,452	\$2,174	(\$42,278)	-95.11%
Total Revenues	\$1,971,453	\$1,724,503	(\$246,950)	-12.53%
Expenses:				
Instruction	\$883,906	\$926,822	\$42,916	4.86%
Administration	\$181,086	\$189,659	\$8,573	4.73%
Operation and Maintenance	\$200,859	\$261,243	\$60,384	30.06%
Student Transportation	\$111,306	\$177,214	\$65,908	59.21%
Food Services	\$77,067	\$71,791	(\$5,276)	-6.85%
Extracurricular	\$49,188	\$60,914	\$11,726	23.84%
Support Services	\$48,005	\$38,765	(\$9,240)	-19.25%
Other Current Charges	\$5,022	\$1,666	(\$3,356)	-66.83%
Educational Media	\$19,410	\$18,323	(\$1,087)	-5.60%
OPEB	(\$1,937)	\$0	\$1,937	-100.00%
Depreciation-Unallocated	\$78,005	\$1,234	(\$76,771)	-98.42%
Total expenses	\$1,651,917	\$1,747,631	\$95,714	5.79%
Increase (Decrease) in Net Position	\$319,536	(\$23,128)	(\$342,664)	-107.24%
Prior Period Adjustment		(\$18,128)		
Beginning Net Position	\$679,201	\$998,737	\$319,536	47.05%
Ending Net Position	\$998,737	\$957,482	(\$41,255)	-4.13%

Changes in district wide governmental activities from FY 2013 to FY 2014 include:

- ✚ Total Revenues for the district were down 12.53% or \$246,950 mostly due to a one time capital grant in FY 2013.
- ✚ Total expenses for the district were up 5.79% or \$95,714.
- ✚ Revenue from property taxes increased by 5.6% or \$37,880.
- ✚ State revenue was down 2% or \$14,064 and county revenue was up 39.9% or \$45,641.
- ✚ Revenue from charges for services was down 40% or \$19,074 in FY 2014.

- ✚ Interest earnings increased by 34% or \$229.
- ✚ The district instruction expenses were up 4.86% or \$42,916.
- ✚ Administration and business expenses were up 4.73% or \$8,573.
- ✚ Student Transportation expenses increased by 59.2% or \$65,908.
- ✚ Operation and maintenance costs were up \$60,384 or 30%.
- ✚ Food services expenditures were down \$5,276 or 6.85%.
- ✚ Revenue from operating grants and contributions were down 27.7% or \$53,624.
- ✚ Revenue from capital grants was down to 0% from \$201,661 in FY 2013.
- ✚ Support service expenses were down \$9,240 or 19.25%.
- ✚ Educational media expenses were down \$1,087 or 5.6%.
- ✚ Extracurricular expenses were up 23.84% or \$11,726.
- ✚ Unallocated depreciation was down 98.4% or \$76,771.
- ✚ The district had a negative balance of \$23,128 when expenses were subtracted from revenues.
- ✚ Net position for the district decreased 4.13% in FY 2014 and was \$957,483.

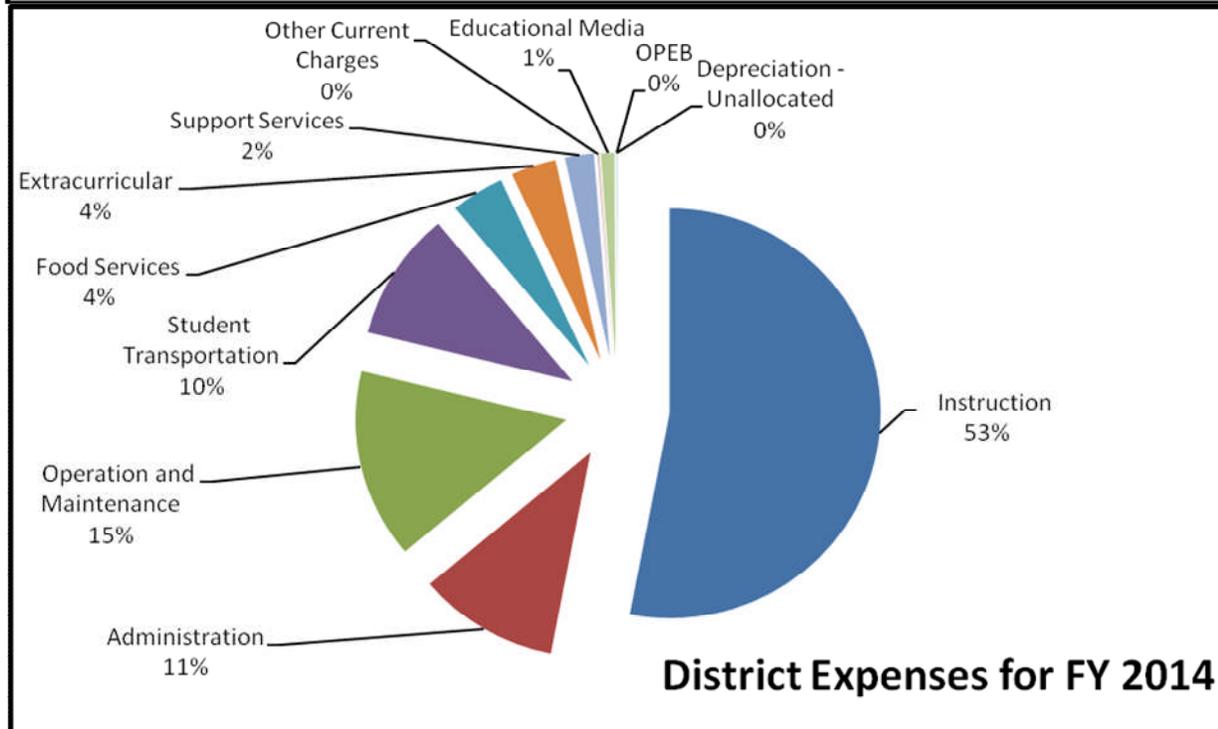
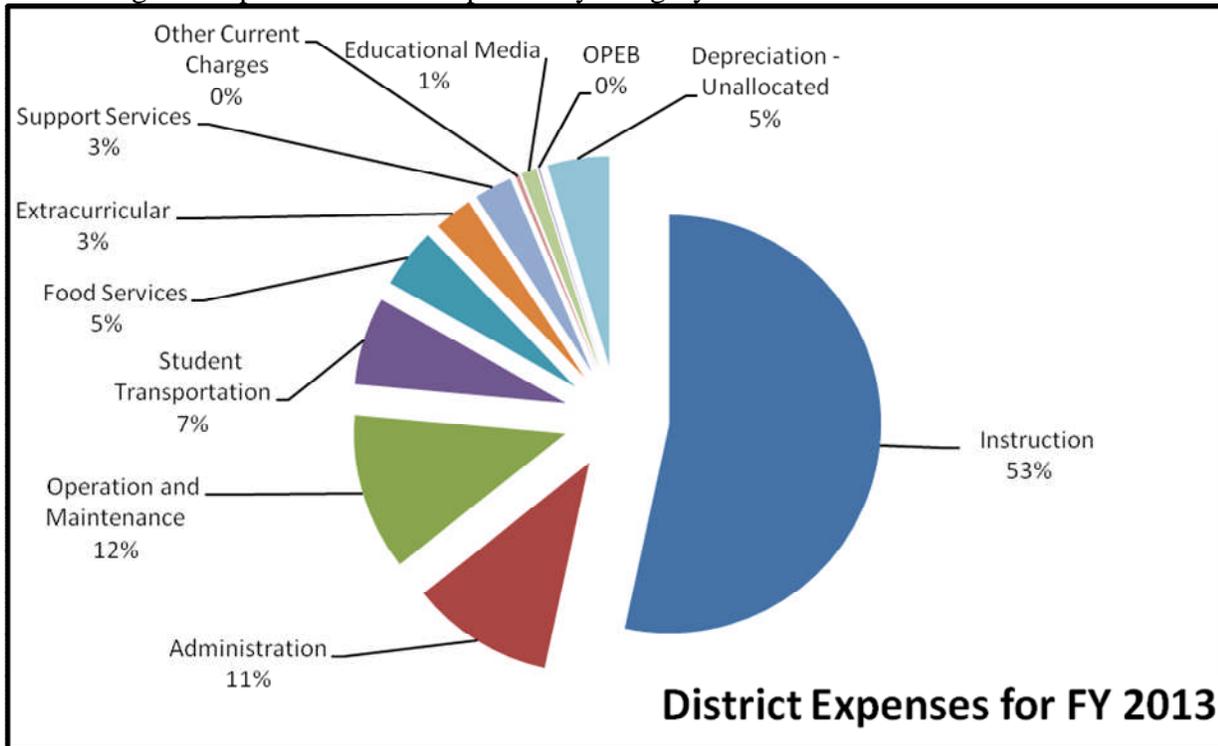
**Revenue by Source – Governmental Activities**



The bar graph presented above shows that revenue from property taxes was the largest source for the Stanford District in FY 2014 followed by state sources of revenue and county sources. The major changes from FY 2013 to FY 2014 were increases in revenue from property taxes and county revenue. All other areas of revenue decreased including total revenue for the district. Revenue from property taxes became the largest source of revenue for the district in FY 2014 followed by state and county revenue. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.

## District Expenses

The following charts present district expenses by category for FY 2013 and FY 2014.



The pie graphs for district expenses show the allocation of resources for specific purposes in the Stanford Schools during FY 2013 and FY 2014. The graphs illustrates the major expenditure areas, with instruction costs accounting for 53% & 53% of the district expenses, operation & maintenance accounting for 12% and 15%, administration was 11% and 11%, student transportation 7% and 10%,

extracurricular was 3% and 4%, and food services 5% and 4% of the district expenses. The major changes in FY 2014 were student transportation and operation & maintenance both increasing 3% of the total from FY 2013.

### **Financial Analysis of the Government's Funds**

Fund accounting is mandated by Montana State law and is used by the Stanford School District to ensure and demonstrate compliance with finance-related legal requirements.

#### ***Governmental funds***

The focus of the *governmental funds* of the Stanford School District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year.

At the end of FY 2013, the governmental funds of the school district reported a combined ending fund balance of \$475,552 and at the end of FY 2014 the fund balance was \$493,880 which represents a 3.9% increase. Approximately 29.7% in FY 2014 (31.8% in FY 2013) of this total amount constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees.

The general fund is the main operating fund of the Stanford School District. At the end of FY 2013, the General Fund had a balance of \$156,471 and at the close of FY 2014 the balance was \$161,955 which was a 3.5% increase. The General Fund unassigned balance was \$146,763 for FY 2014. The total fund balances in the district increased \$18,328 from the end of FY 2013 to the end of the FY 2014 which was a 3.9% increase.

### **Governmental Fund Financial Statements**

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The governmental funds balance sheet for the FY 2014 is comprised of major funds and all other funds. The General Fund, Bus Depreciation Fund, Retirement Fund, and Miscellaneous Fund were the major funds in FY 2014. The Other Funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2014 demonstrates that the Stanford School District is in good financial condition. The district has considerable amounts of cash and investments in the general fund and the other major funds which make up 76.2% in FY 2014 (76.4% in FY 2013) of the total fund balances. The district has a minimal amount of liability attached to these same funds. The Stanford District fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

### **Statement of Revenues, Expenditures, and Changes in Fund Balances**

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major fund categories in FY 2014 were the General Fund, Retirement Fund, Bus Depreciation Fund, and the Miscellaneous Fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State Aid

is the major revenue source for the district general fund category at 54.7% in FY 2014 (55.5% in FY 2013) followed by the property tax revenue at 45.2% in FY 2014 (41.9% in FY 2013). The major expenditure in the general fund is instruction. Instruction expenditures make up 59.8% (60.9% in FY 2013) of the general fund total cost for FY 2014. Operation and maintenance followed by administration rank 2 & 3 for general fund expenditures in FY 2014. The total fund balances increased 3.9% from FY 2013 to FY 2014.

**General Fund Budgetary Highlights**

The general fund budgetary highlights in the district for FY 2014 included slightly less revenue and lower expenditures than was expected in the original and final budget. The district received \$8,787 less in total revenue in the general fund than was expected in the original/final budget which is less than a one percent (.7%) difference. Actual expenditures were \$15,133 less than was expected in the original/final budget of \$1,230,413 which was a difference of about 1.2%. The difference in actual revenue and expenditures in the general fund was a positive \$6,347.

**Capital Asset and Debt Administration**

**Capital assets**

The investment by the Stanford School District in capital assets for governmental activities as of June 30, 2014, was \$562,588 after depreciation was subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets for the Stanford District showed an 11.21% decrease in FY 2014 when compared to FY 2013 which was due to depreciation of \$71,013. The table below shows the value and details of the district capital assets from the FY 2013 through FY 2014.

**Capital Assets of the Stanford School District**

Capital Assets	Governmental Activities				Percent Change
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	
Land	\$25,451			\$25,451	0.00%
Buildings & Improvements	\$998,773	\$0		\$998,773	0.00%
Machinery & Equipment	\$685,002	\$0		\$685,002	0.00%
Totals at Historical Cost	\$1,709,226	\$0	\$0	\$1,709,226	0.00%
Less Accumulated Depreciation		Current Depreciation	Deletions		
Total Accumulated Depreciation	(\$1,075,625)	(\$71,013)		(\$1,146,638)	6.60%
Capital Assets net of Depreciation	\$633,601			\$562,588	-11.21%

**Long-term debt**

At the end of FY 2014, the Stanford School District had no bonded debt outstanding. The district did have long-term liabilities of \$36,983 for compensated absences of employees and Other Post-Employment Benefits (OPEB) of \$100,436. There was no additional expense for OPEB in FY 2014 since it has reached its AAL (Actuarial Accrued Liability).

## **Economic Factors and Fiscal Year Budgets for FY 2013 & FY 2014**

- ✚ The population of Judith Basin County decreased by 2.7% or about 56 residents from April 1, 2010 to July 1, 2013. This compares to the Montana average of a 2.6% increase.
- ✚ Residents of Judith Basin County under the age of 18 made up 18.5% (19.2% in 2011) of the population in 2013 compared to Montana's 22.1% in 2013.
- ✚ Student enrollment numbers are converted to "Average Number (of students) Belonging" and are used to fund the district. Enrollment numbers decreased by 2 students for the Stanford District from the fall enrollment of 2012-13 to 2013-14. The increase was 5 students in grades 7-8, minus 5 students in the grades K-6, and minus 2 students in grades 9-12. The overall enrollment decrease was 2%.
- ✚ The unemployment rate for Judith Basin County was 2.8% in May of 2014. This compares to the Montana rate of 4.6% in May of 2014.
- ✚ The poverty rate for Judith Basin County was 12.4% for 2009-2013, when Montana was at 15.2%.
- ✚ The median household income in Judith Basin County for 2009-2013 was \$41,932 compared to Montana during the same time period of \$46,230.
- ✚ State funding for most Montana schools increased for FY 2013 and FY 2014.

All of these and other factors were considered in preparing the FY 2013 & FY 2014 budgets for the Stanford School District.

## **Requests for Information**

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of Stanford School District for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the Stanford administration and business office located in Stanford, Montana.

**T**ripp & **A**ssociates  
1645 Ave. D, Suite E  
Billings, Montana 59102

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanford School District No. 12 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Stanford School District No. 12 as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Due to further implementation of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, as referred to in Note 1, the General fund's beginning balance has \$4,851 more than reported in the prior year.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 13; Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 37; and Schedule of Funding Progress for Other Post-Employment Benefits – other than Pensions (OPEB) on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stanford School District No. 12's basic financial statement. The Schedule of Reported Enrollment and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are presented for purposes of additional analysis and are not a required part to the basic financial statements.

The Schedule of Combining Funds, Schedule of Reported Enrollment, and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds 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 Schedule of Combining Funds, Schedule of Reported Enrollment, and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015, on our consideration of Stanford School District No. 12's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing Stanford School District No. 12's internal control over financial reporting and compliance.

*Tripp & Associates*

Billings, Montana  
January 21, 2015

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

STATEMENT OF NET POSITION  
as of June 30, 2014

	<u>Governmental Activities</u>
	<u>2014</u>
<b>ASSETS:</b>	
Current Assets:	
Cash & Investments	\$ 440,100
Taxes Receivable	38,432
Due From Other Governments	<u>53,498</u>
Total Current Assets	532,030
Restricted Assets:	
Restricted Cash & Investments	20,000
Non-Current Assets:	
Land	25,451
Other Capital Assets (Net)	<u>537,137</u>
Total Non-Current Assets	<u>562,588</u>
<b>Total Assets</b>	<b>1,114,618</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Advances of Federal Grants	19,553
Compensated Absences	14,094
Other Current Liabilities	<u>165</u>
Total Current Liabilities	33,812
Non-Current Liabilities:	
Compensated Absences	22,888
OPEB Liability	<u>100,436</u>
Total Non-Current Liabilities	<u>123,324</u>
Total Liabilities	157,136
<b>NET POSITION:</b>	
Investment in Capital Assets	562,588
Restricted:	
Endowment	22,276
Instruction	42,009
Transportation	29,129
Retirement	43,004
Operations & Maintenance	27,106
Capital Purchases	141,341
Unrestricted	<u>90,029</u>
Total Net Position	<u>\$ 957,482</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	-----Program Revenues----- Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
<b>GOVERNMENTAL OPERATIONS:</b>				
Instruction	\$ 926,822	\$ 2,550	\$ 50,812	\$ (873,460)
Support	38,765	-	-	(38,765)
Media	18,323	-	-	(18,323)
Administration	189,659	-	-	(189,659)
O & M	261,243	4,300	-	(256,943)
Transportation	177,214	-	67,743	(109,471)
Extracurricular	60,914	-	-	(60,914)
School Food	71,791	21,796	21,427	(28,568)
Other Current Charges	1,666	-	-	(1,666)
Depreciation-unallocated	1,234	-	-	(1,234)
Total Governmental Activities	1,747,629	28,646	139,982	(1,579,002)
 <b>GENERAL REVENUES:</b>				
District Levy				714,498
State Equalization				588,758
Other State Revenue				89,541
County				160,000
Investment Earnings				903
Other				2,174
Total General Revenues				1,555,875
 <b>CHANGE IN NET POSITION</b>				(23,127)
 <b>NET POSITION:</b>				
Beginning of the Year				998,737
Prior Period Adjustments				(18,128)
End of the Year				<u>\$ 957,482</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

BALANCE SHEET  
GOVERNMENTAL FUNDS  
as of June 30, 2014

	-----MAJOR-----				Other	Total
	General Fund	Bus Depr Fund	Retirement Fund	Miscellaneous Fund	Government Funds	
<b>ASSETS:</b>						
Cash and Investments	\$ 151,625	\$ 139,774	\$ -	\$ 50,957	\$ 117,743	\$ 460,100
Taxes Receivable	29,955	1,567	-	-	6,910	38,432
Receivable From Other Funds	10,330	-	-	-	-	10,330
Due From Other Governments	-	-	53,333	-	165	53,498
Total Assets	<u>191,910</u>	<u>141,342</u>	<u>53,333</u>	<u>50,957</u>	<u>124,818</u>	<u>562,360</u>
<b>LIABILITIES:</b>						
Payable to Other Funds	-	-	10,330	-	-	10,330
Other Current Liabilities	-	-	-	-	165	165
Advances of Fed. Grants from the State of MT	-	-	-	19,553	-	19,553
Total Liabilities	-	-	10,330	19,553	165	30,047
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue - Property Taxes	29,955	1,567	-	-	6,910	38,432
<b>FUND BALANCES:</b>						
Nonspendable:						
Endowment	-	-	-	-	20,000	20,000
Interfund Loans	10,330	-	-	-	-	10,330
Restricted:						
Endowment	-	-	-	-	2,276	2,276
Instruction	-	-	-	31,404	9,471	40,875
Transportation	-	-	-	-	25,722	25,722
Retirement	-	-	43,004	-	-	43,004
Operations & Maintenance	-	-	-	-	24,737	24,737
Capital Purchases	-	139,774	-	-	-	139,774
Committed:						
Operations & Maintenance	-	-	-	-	24,820	24,820
School Food Services	-	-	-	-	10,979	10,979
Assigned - Instruction	4,862	-	-	-	-	4,862
Unassigned:	<u>146,763</u>	-	-	-	<u>(260)</u>	<u>146,503</u>
Total Fund Balances	<u>161,955</u>	<u>139,774</u>	<u>43,004</u>	<u>31,404</u>	<u>117,743</u>	<u>493,880</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 191,910</u>	<u>\$ 141,342</u>	<u>\$ 53,333</u>	<u>\$ 50,957</u>	<u>\$ 124,818</u>	<u>\$ 562,360</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balances - Governmental Funds		\$	493,880
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Costs of Assets	1,709,226		
Less Accumulated Depreciation	<u>(1,146,638)</u>	562,588	
Less liabilities not reported in the governmental funds			
Compensated Absences	(36,983)		
Other Post-Employment Benefits	<u>(100,436)</u>	(137,419)	
Deferred Inflows of Resources due to Property Tax Collections Receivable		<u>38,432</u>	
Net Position - Governmental Activities		\$	<u>957,482</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

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

	-----MAJOR-----				Other	Total
	General Fund	Bus Depr Fund	Retirement Fund	Miscellaneous Fund	Government Funds	Governmental Funds
<b>REVENUES:</b>						
District Levies	\$ 556,204	\$ 4,976	\$ -	\$ -	\$ 137,000	\$ 698,180
Interest	347	319	43	-	194	903
Other	1,143	-	-	951	81	2,174
County	-	-	160,000	-	33,872	193,872
State	673,037	-	18,156	4,555	37,470	733,218
Federal	-	-	-	29,765	21,427	51,192
Charges for Services	-	-	-	-	28,646	28,646
<b>Total Revenues</b>	<b>1,230,731</b>	<b>5,295</b>	<b>178,198</b>	<b>35,270</b>	<b>258,689</b>	<b>1,708,184</b>
<b>EXPENDITURES:</b>						
Instructional Services	732,695	-	115,891	35,270	37,242	921,098
Instructional Support Services	34,673	-	4,091	-	-	38,765
Educational Media Services	16,297	-	2,026	-	-	18,323
General Administrative Services	140,946	-	16,710	-	28,461	186,117
Operation & Maintenance Services	211,581	-	8,426	-	23,655	243,662
Transportation Services	11,855	-	8,475	-	120,975	141,306
Extracurricular	47,127	-	4,235	-	-	51,362
School Food Services	30,073	-	3,426	-	35,931	69,429
Other Current Charges	-	-	-	-	1,666	1,666
<b>Total Expenditures</b>	<b>1,225,247</b>	<b>-</b>	<b>163,281</b>	<b>35,270</b>	<b>247,930</b>	<b>1,671,728</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,485</b>	<b>5,295</b>	<b>14,917</b>	<b>0</b>	<b>10,759</b>	<b>36,456</b>
<b>FUND BALANCES:</b>						
Beginning of the Year	151,620	134,479	28,086	50,956	110,411	475,552
Prior Period Adjustments	4,851	-	-	(19,553)	(3,426)	(18,128)
End of the Year	<u>\$ 161,955</u>	<u>\$ 139,774</u>	<u>\$ 43,004</u>	<u>\$ 31,404</u>	<u>\$ 117,743</u>	<u>\$ 493,880</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

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

Total Net Change in Fund Balances - Governmental Funds	\$	36,456
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Increase (decrease) in Taxes Receivable		16,318
Expenses in the statement of activities that do not require the use of current financial resources are not included in the governmental funds:		
Depreciation Expense	(71,013)	
(Increase) decrease in Compensated Absence Liability	<u>(4,888)</u>	<u>(75,901)</u>
Change in net position reported on the Statement of Activities - governmental activities	\$	<u>(23,127)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

STATEMENT OF FIDUCIARY NET POSITION &  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
As of June 30, 2014

	<u>Private Purpose Trust Funds</u>
<b>ASSETS:</b>	
Cash, Cash Equivalents and Investments	\$ 32,467
Total Assets	32,467
<b>LIABILITIES:</b>	
Total Liabilities	-
<b>NET POSITION:</b>	
Held in Trust for Student Activities	<u>32,467</u>
Total Net Position	<u>\$ 32,467</u>
<hr/>	
CHANGES IN FIDUCIARY NET POSITION	
<b>ADDITIONS:</b>	
Revenue from Student Activities	<u>100,530</u>
Total Additions	100,530
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	<u>101,292</u>
Total Deductions	101,292
<b>CHANGE IN NET POSITION:</b>	(762)
Net Position, Beginning of the Year	23,229
Prior Period Adjustments*	<u>10,000</u>
Net Position, Ending of the Year	<u>\$ 32,467</u>

\*A Certificate of Deposit of \$10,000 was left off of the prior year cash balance.

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Stanford School District No. 12 (the "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 District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### A) REPORTING ENTITY

The District is a political subdivision of the Montana Department of Education governed by a Board of Trustees (the Board) elected by the public. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The statements reflect all funds and accounts directly under the control of the District.

The District consists of one district that provides education for kindergarten through twelfth grade (K-12).

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the 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 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 District. Based on those criteria the District has no component units.

#### B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of advances, the presentation of expenses versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the Government-wide financial statements and the governmental fund financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the District as a whole except for the fiduciary funds. The trust funds are reported as private purpose trust funds in the fiduciary fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Revenues are recognized when earned and expenses are recognized when the related 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. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

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 (1) charges for services such as school lunch fees and facility rental fees and (2) operating grants that are restricted to a particular functional program. Property taxes, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Fund Financial Statements**

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds, and student activity fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

**Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as advances until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt are recognized when received and payments of long-term debt principal are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures and depreciation is not recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

GASB Statement No. 34 requires that the general fund be reported as a major fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds. The District's major governmental funds are the General, Bus Depreciation, Retirement and Miscellaneous Funds.

**General Fund** – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the 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.

GASB Statement No. 54 requires that funds with similar restrictions to the General fund be combined with the General fund for reporting purposes. The Compensated Absences and Flexibility funds are combined with the General fund for reporting purposes. The Supplementary Information section of this report includes schedules of combined funds with details of each combined fund.

*Combined Funds*

- \* The Compensated Absences fund is used to account for the liability accrued for vacations and sick leave.
- \* The Flexibility fund is used to account for State and local revenues that are not directed to other funds.

**Bus Depreciation Fund** – This special revenue fund is used to account for the revenues raised by property taxes levied and expenditures approved for the purchase of new yellow school buses. Deposits made to the fund are limited by depreciation percentages of current busses owned by the district.

**Retirement Fund** – This special revenue fund is used to account for the revenues acquired by county levy distribution for payment of retirement, Social Security, Medicaid, and unemployment benefits for district employees. County-wide levies to this fund are based upon projected salaries for the fiscal year.

**Miscellaneous Fund** – This special revenue fund is used to account for miscellaneous federal and state grants received by the District and various other State and local miscellaneous funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Fiduciary Funds**

*Private Purpose Trust Funds* – The Trust Funds account 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 District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations and any scholarship commitments.

*Agency Funds* – The Agency Funds generally are used to account for assets that the District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer. Agency funds do not report a measurement focus as they do not report operations.

C) CASH AND INVESTMENTS

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

The District does not have a formal investment policy that places any further restrictions on the nature of types of investments that may be purchased other than the State statute. Investments are recorded at fair market value.

The District considers cash on hand, demand accounts, savings, money markets, repurchase agreements, CD's, STIP, and short-term investments with original maturities of three months or less when purchased, to be cash equivalents. The Extracurricular fund's cash is held separately by the District, not at the county, and is covered by FDIC.

D) 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) PROPERTY TAXES

Property taxes are collected by the Judith Basin County Treasurer who credits to the 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 District receives its share of the sale proceeds of any such auction.

F) INVENTORIES

Inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

G) CAPITAL ASSETS

The District considers capital assets to be those resulting from expenditures which have an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. These assets are reported in the government-wide Statement of Net Position, but are not reported in the Balance Sheet – Governmental Funds. Capital assets are recorded at cost, or estimated historical cost if actual historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The District capitalizes the value of all infrastructures acquired after July 1, 2003. The District has elected not to retroactively report general infrastructure assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District uses the straight-line depreciation method. Improvements are capitalized but the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized. The useful lives of these assets have been estimated as follows:

Buildings	10 – 50 years
Machinery and Equipment	8 – 20 years

H) COMPENSATED ABSENCES

District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. 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. The District reports compensated absences on the Termination Payment Method. 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. Therefore, only 25% of the accumulated sick leave is included in the accrual.

The liability incurred because of unused vacation and sick leave accumulated by employees is 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 \$14,094 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$36,982.

I) INTERFUND TRANSACTIONS

Interfund transactions between governmental funds are reflected as transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds" and are subject to elimination upon consolidation of funds. Advances between funds, as reported in the fund financial statements, are offset by Nonspendable fund balance in the General fund and as committed or assigned fund balance in other governmental funds as appropriate.

J) ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

K) ENDOWMENTS

The Endowment fund is a governmental fund that accounts for the receipts and disbursements of scholarship monies. The corpus is \$20,000 is reported as nonspendable on the Governmental funds Balance Sheet. The available funds as of June 30, 2014 is \$2,276 and is reported as restricted on the Governmental funds Balance Sheet. According to MCA 20-9-604 permanent endowments are only able to spend the net appreciation. It is the District's policy to spend the total-return of the fund on scholarships. These funds are invested along with other District monies in the county investment pool. The entire fund balance of \$22,276 is reported as restricted in the Net Position section of the Statement of Net Position.

**NOTE 2: CASH AND INVESTMENTS**

Cash resources of the District are held and managed by the Judith Basin County Treasurer. They are combined with cash resources of other governmental entities within Judith Basin County to form a pool of cash and cash equivalents. The County does not issue separate financial statements on the investment pool. The external investment pool is audited as part of Judith Basin County's financial statements. The County investment pool is

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

not registered with or monitored by the Securities and Exchange Commission (SEC) or subject to other regulatory oversight. The County provides monthly statements to the District.

Deposits of pooled cash consist primarily of Repurchase Agreements and are carried at fair value. Investments in the County investment pool consist of US Government Securities and are carried at fair value. At June 30, 2014, the carrying amount of deposits & investments was \$527,215. This includes restricted cash of \$20,000 and \$67,115 in agency funds.

*Custodial Credit Risk – Deposits:* Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's may not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposits held by the County are exposed to custodial credit risk in that they are uninsured, unregistered and are not in the District's name. State of Montana (State) statutes require that school district funds are deposited in banks located in the State and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized in accordance with State statutes. The District's deposit policy for custodial credit risk requires compliance with the laws of the State. As of June 30, 2014 the District's deposits were either insured or collateralized.

*Custodial Credit Risk – Investments:* Custodial credit risk for investments is the risk that, in the event of a financial institution failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized in accordance with State statutes. As of June 30, 2014, none of the District's investments was exposed to custodial credit risk.

The District does not own specific identifiable investment securities in the pool. Therefore, the District's portion of the pool is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Judith Basin County investment pool deposits and investments is available from the Judith Basin County Treasurer's office, PO Box 427, Stanford, MT 59479. Fair values approximate carrying values for investments as of June 30, 2014.

### **Restricted Cash**

The District's restricted cash represents the endowment fund corpus of \$20,000. Previously, the corpus was reported as \$22,231 which was determined to include accumulated interest and investment earnings.

## **NOTE 3: NET POSITION/FUND BALANCES**

### **A) NET POSITION**

The government-wide fund financial statements utilize a Net Position presentation. Net Position are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

*Investment in Capital Assets* – This category reports the portion of Net Position containing capital assets, including infrastructure, as one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. The District has no outstanding debts against its capital assets.

*Restricted Net Position* – This category reports the portion of Net Position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, restricted Net Position for governmental activities was \$22,276, of which \$0 was restricted by enabling legislation.

*Unrestricted Net Position* – This category reports the portion of Net Position that is not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted funds first.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B) FUND BALANCE POLICY

**Fund Statement – Fund Balances**

In the fund financial statements, governmental funds report fund balance as Nonspendable, Restricted, Committed, Assigned or Unassigned based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

**Nonspendable** – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact i.e., inventory or endowment corpus.

**Restricted** – Amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

**Committed** – Amounts that can be used only for specific purposes determined through a motion approved by the Board to establish, modify and rescind; and do not lapse at year end.

**Assigned** – Amounts intended for specific purposes by the District Clerk and/or Superintendent who have been delegated authority by the Board to assign such amounts. This fund balance classification also reflects any funds assigned for capital projects.

**Unassigned** – All amounts not included in other spendable classifications.

When expenditures are incurred for which committed, assigned or unassigned amounts could be used, it is the District’s policy to first spend committed, then assigned and unassigned resources last.

C) FUND BALANCE CLASSIFICATIONS

**Nonspendable Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Permanent Endowment	\$ 20,000	Endowment Corpus
General	10,330	Amounts Due from Other Funds
Total Nonspendable	\$ 30,330	

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Endowment	\$ 2,276	Endowment
Transportation	25,722	Transportation
Bus Depreciation	139,774	Capital Purchases
Retirement	43,004	Retirement
Miscellaneous	31,404	Instruction
Building Reserve	24,737	Operations & Maintenance
Other Governmental Funds	9,471	Instruction
Total Restricted	\$276,386	

**Committed Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
School Food	\$ 10,979	School Food
Other Governmental Funds	24,820	Operations & Maintenance
Total Committed	\$ 35,799	

**Assigned Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General – Comp Abs	\$ 4,862	Instruction

**Unassigned Fund Balance**

<u>Fund</u>	<u>Amount</u>
General	\$116,656
Gen – Flexibility	30,107
Other Governmental Funds	(260)
Total Unassigned	\$146,503
Total District Fund Balance	<u>\$493,880</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

D) STATEMENT OF NET POSITION VS. BALANCE SHEET – GOVERNMENTAL FUNDS

The differences between restricted fund balance on the Balance Sheet - Governmental Funds, which is illustrated above, and restricted net position on the Statement of Net Position represents 1) the corpus of the Endowment fund of \$20,000 which is illustrated as non-spendable on the Balance Sheet – Governmental funds and 2) the remaining difference of \$8,477 between the two statements represents the deferred inflows of resources due to taxes receivable in the restricted funds. These differences are attributable to the difference in accounting basis of these two statements.

**NOTE 4: TAXES / RECEIVABLES**

A) MILL LEVIES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$4,217,258 for the district. The tax rates assessed for the year ended June 30, 2014 to finance District operations were as follows:

<u>Fund</u>	<u>Mills</u>
General	133.81
Transportation	19.14
Bus Depreciation	1.19
Technology	4.29
Building Reserve	<u>9.48</u>
Total	<u>167.91</u>

B) TAXES RECEIVABLE

<u>Fund</u>	<u>District</u>
General	\$29,955
Bus Depreciation	1,567
Transportation	3,407
Adult Education	172
Technology	962
Building Reserve	<u>2,369</u>
Total	<u>\$38,432</u>

C) DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
School Food	\$ 165	State of Montana – Food Services Match
Retirement	<u>53,333</u>	Judith Basin County – Late Retirement Installment
Total	<u>\$53,498</u>	

D) DUE FROM OTHER FUNDS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
Flexibility	<u>\$10,330</u>	Retirement Fund – Cash overspent

**NOTE 5: RISK MANAGEMENT**

The 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 District has joined with other districts throughout

NOTES TO THE FINANCIAL STATEMENTS (Continued)

the state into an interlocal common risk pool to insure workers compensation for all participating districts in a self- insurance pool. The Workers Compensation Risk Retention Program (WCRRP) is managed by a board of directors elected annually. Members are responsible for fully funding the WCRRP through the payment of annual premiums accessed. There is no other liability to the district other than timely payments of premiums. The district can withdraw from the WCRRP with 60 days' notice. Information regarding the WCRRP may be obtained by contacting WCRRP at 1 S. Montana Ave., Helena, MT, 59601.

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

**NOTE 6: CAPITAL ASSETS**

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>June 30, 2014</u>
COST Non-Depreciable:				
Land	\$ 25,451	\$ 0	\$ 0	\$ 25,451
Total Non-Depreciable	\$ 25,451	\$ 0	\$ 0	\$ 25,451
COST Depreciable:				
Buildings	\$ 998,773	0	0	998,773
Major Equipment	<u>685,002</u>	<u>0</u>	<u>0</u>	<u>685,002</u>
Total Depreciable COST	1,683,775	<u>0</u>	<u>0</u>	<u>1,683,775</u>
Total COST	<u>\$ 1,709,226</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,709,226</u>

ACCUMULATED DEPRECIATION:				
Buildings	\$ (605,503)	(18,916)	0	(624,419)
Major Equipment	<u>(470,122)</u>	<u>(52,097)</u>	<u>0</u>	<u>(522,219)</u>
Total Depreciation	<u>\$ (1,075,625)</u>	<u>\$ (71,013)</u>	<u>\$ 0</u>	\$(1,146,638)

Current year's depreciation was charged to the district's programs as follows:

Instructional	\$ 3,121
School Administration	1,232
Operation & Maintenance	17,736
Transportation	36,341
School Food	1,798
Extracurricular	9,551
Unallocated	<u>1,234</u>
Total Current Year Depreciation	<u>\$ 71,013</u>

**NOTE 7: CURRENT LIABILITIES**

A) DEFERRED INFLOWS OF RESOURCES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General	\$29,955	Taxes Receivable
Transportation	3,407	Taxes Receivable
Bus Depreciation	1,567	Taxes Receivable
Adult Education	172	Taxes Receivable
Technology	962	Taxes Receivable
Building Reserve	<u>2,369</u>	Taxes Receivable
District Total	<u>\$38,432</u>	

B) ADVANCES FROM FEDERAL GRANTS

The District's advances from federal grants received but not spent by year end. As of June 30, 2014, the District held the federal Title I Part A grant monies of \$19,553 in the Miscellaneous Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

C) DUE TO OTHER FUNDS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
Retirement	<u>\$10,330</u>	Flexibility Fund – Cash overspent

**NOTE 8: EMPLOYEE RETIREMENT PLANS**

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all 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.

**Teachers' Retirement System (TRS)**

The TRS is a statewide defined benefit retirement plan established in 1937 and governed by Title 19, chapter 20 of the Montana Code Annotated providing retirement services to teachers or professional staff of any public elementary or secondary school, colleges of technology or unit of the university system. The TRS is a mandatory multiple-employer, cost-sharing plan administered by the Teachers' Retirement Board. Members' rights become vested after five years of service.

*Benefits*

TRS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility, benefit amounts, and contributions required by state law are based on the date the employee became a TRS member. Tier I – Employees who became members before July 1, 2013. Tier II – Employees who became members after July 1, 2013.

Tier I – Retirement benefit eligibility is age 60 with at least five years of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken after age 50 with at least five years of service. Service retirement is based on the highest 3 consecutive highest salaries.

Tier II – Retirement benefit eligibility is age 60 with at least five years of service; age 55 with 30 years of service. A professional retirement option applies to Tier II members age 60 with 30 years of service. Actuarial reduced benefits may be taken after age 55 with at least five years of service. Service retirement is based on the highest 5 consecutive salaries.

Retirement benefits are calculated as shown below:

The Service Retirement is based on *Years of Service x Average Final Compensation x 1.6667%*

The Professional Retirement is based on *Years of Service x Average Final Compensation x 1.85%*

The Guaranteed Annual Benefit Adjustment (GABA) provides an annual benefit increase set in the fall of each year by the TRS board of .5% to 1.5%. A benefit recipient, who has been receiving a benefit for at least 36 months prior to January 1 each year, will receive a GABA with payment of the January benefit.

*Contributions*

Beginning July 1, 2013 a required supplemental contribution, which will vary from 0% to 1% based on the funded ratio of the TRS pension became effective for Tier I members. A supplemental contribution may be required from Tier II members after January 1, 2023. For fiscal year 2013, Tier I member normal contributions are 7.15% and supplemental contributions are 1% for total Tier I member contributions of 8.15%. Tier II normal contributions are 8.15% which does not contain a supplemental contribution element. Employer contributions are based on total payroll reported to TRS. These are not matching contributions allocated to individual members, but contributions to the trust fund. The TRS employer rate was increased from 7.47% to 8.47% effective July 1, 2013. Also, effective July 1, 2013, the District is required to make contributions to TRS for working retirees of 9.85%. The State supplemental rate is 2.49%.

The District paid an additional payment to TRS of \$18,000 as a result of an excess resources assessment.

*Actuarial Information*

An actuarial valuation of the retirement system is performed annually. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based on present and prospective assets and liabilities of the system. If employee and employer contribution rates are

NOTES TO THE FINANCIAL STATEMENTS (Continued)

sufficient to amortize any unfunded liability over 30 years or less, the system is actuarially sound and does not have a shortfall. According to TRS publications as of July 1, 2013, TRS does not have a shortfall and is actuarially sound.

**Montana Public Employees' Retirement System (PERS)**

PERS is a state wide retirement plan established in 1945 and governed by Title 19, chapter 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. Within 12 months of their hire date, employees must choose between the Defined Benefit Retirement Plan (DBRP) and the Defined Contribution Retirement Plan (DCRP). The default plan is the DBRP. The PERS is a mandatory, except for those employed less than one half time. It is a multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS Defined Benefit Retirement Plan (DBRP) offers service retirement, early retirement, disability and survivorship benefits to plan members and their beneficiaries. Members' rights become vested after five years of service. The plan allows for a Guaranteed Annual Benefit Adjustment (GABA) that provides for an annual benefit increase each January that could range from 0% to 1.5% depending upon the funding status of the plan.

The service retirement benefit eligibility is age 65 with at least five years of service credit or age 70 regardless of service. Actuarial reduced benefits may be taken with age 55 with at least 5 years of service. Monthly retirement benefits are calculated as: *Membership Service Factor* times *Highest Average Compensation* times *Service Credit*. This formula is multiplied by an Early Retirement Factor to determine the early retirement benefit.

The PERS Defined Contribution Retirement Plan (DCRP) consists of three components; member contributions, other contributions and employer contributions. Each component has different vesting criteria. Members are fully vested when they have earned five years of membership service. Member contributions and earnings are fully vested immediately. Other contributions i.e., 403(b) or 457(b) rollover contributions are fully vested immediately. Employer contributions are fully vested after five years of membership service. Employer contributions are forfeited if the employee dies or if service is terminated prior to attaining five years of membership service. Both the employee and the employer make contributions to the plan at the same rates as the DBRP.

Contribution rates for either plan above are required and determined by State law. Effective, July 1, 2013, the PERS rates for all employees was changed to 7.9%. The basic PERS rate for school district employers is 6.8%. Effective July 1, 2013 school district employers are required to contribute an additional employer contribution of 1.10% for total employer contributions of 7.9%.

**Both Plans**

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

Montana Teachers Retirement System	Montana Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

State contributions to PERS and TRS totaled \$653 and \$17,502 respectively and have been included in the Retirement Fund revenues and expenditures.

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, 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	\$121,490	\$120,542	\$170,246
PERS	<u>27,614</u>	<u>24,713</u>	<u>28,369</u>
Total	<u>\$149,104</u>	<u>\$145,255</u>	<u>\$198,615</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 9: LONG TERM DEBT OBLIGATIONS**

A) CHANGES IN LONG TERM DEBT

Governmental Activities:	Balance			Balance
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Compensated Absences	\$ 32,094	\$4,888	\$ 0	\$ 36,982
OPEB Liability	<u>100,436</u>	<u>0</u>	<u>0</u>	<u>100,436</u>
Total	<u>\$132,530</u>	<u>\$4,888</u>	<u>\$ 0</u>	<u>\$137,418</u>

**NOTE 10: JOINT VENTURES**

A) **Special Education Cooperative**

The District is a member of the Central Montana Learning Resource Center, 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 the District, and the financial statements of the Cooperative are not included in the Districts' financial statements. The Cooperative's financial statements are audited separately from those of the 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 Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All fixed 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.

B) **Multidistrict Technology Agreement**

In April 2013, the district entered into a multidistrict agreement with Lewistown Elementary, Fergus High School, Denton Elementary & High School, Grass Range Elementary & High School, Harlowton Elementary & High School, Ayers Elementary, Roy K-12 schools, Winifred K-12 schools, Moore Elementary & High Schools, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson K-12, Judith Gap Elementary & High schools, & Central Montana Learning Resource Center in Accordance with MCP sections 20-9-703 & 20-9-704 for the purpose of providing technology services for the participating districts. Fergus high School shall be designated as the prime agency. The term of the agreement is from July 1, 2013 to June 30, 2014

C) **Sports Cooperative**

At the end of fiscal year 2013, Stanford K-12 school district entered into a 3-year sport Co-op agreement with Geyser K-12 and Denton K-12 schools to form a sports Co-op for football, volleyball, basketball, and track & for the sake of student/athletes, schools & communities for fiscal year 2014, 2015 and 2016. Stanford will be the host for the first 3years of the Co-op. Each school will be in charge of team expense and coaching stipends for special seasons. Denton will be in charge of football and volleyball; Stanford will be in charge of basketball; and Geyser will be in charge of track and elementary football.

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS**

Plan Description – In accordance with MCA (2-18-704) the District allows employees who are at least age 50 with at least 5 years of service to remain on the District's health insurance plan after retiring from the district as long as they pay the same premium as active employees. Since retirees are usually older than the average age of the active participants, they receive a benefit of lower insurance rates. This benefit is referred to as the "OPEB liability." The District has less than 100 plan members and elected to use the "Alternative Measurement Method" to calculate its OPEB liability. The OPEB plan does not provide a stand-alone financial report. The District pays 70% of the single active employee's health insurance premium. The implicit subsidy is \$517 per member and \$1,073 per member and spouse.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The required schedule of funding progress is reported in the Required Supplementary Section of this report which is immediately following the notes to the financial statements.

The Stanford School District participated in the Blue Cross/Blue Shield health insurance program for employee and retired members during fiscal year 2014. The district pays 70% of the monthly premiums for certified staff & \$600 per month for classified staff. The monthly premiums for health insurance are: \$517 per month for single employees, \$1,073 per month for a two party plan. A retiree who retires with the Teachers Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the Districts' health insurance as a retiree. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the Districts' active employees. The retired member must pay all premiums without any district assistance after the first year of retirement party, \$217 for single Medicare and \$439 for two part Medicare. During fiscal year 2014, 21 of the 25 participating members were active employees and 4 were retired members. The district had only 4 retired members electing to stay on the health insurance plan due to the variety of reason including the cost of premiums. Based on historical data, the District expects 20% of retirees to stay on the health insurance after retirement. This trend reduces the District's OPEB liability.

**Funding Policy** - The District pays OPEB liabilities on a "pay-as-you-go" basis. The District's OPEB liability is amortized on a level dollar basis annually until the Actuarial Accrued Liability (AAL) is reached. A trust fund for future liabilities has not been established. Therefore, the District's OPEB liability will continue to grow until it reaches the Actuarial Accrued Liability (AAL) shown below.

**Funding status and progress** - As of June 30, 2014 the funded status of the plan was as follows:

	<u>Alternative Measurement Method</u>
Actuarial Accrued Liability (AAL)	\$100,436
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$100,436
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$926,984
UAAL as a percentage of covered payroll	11%
 Date of latest AAL calculation	 June 30, 2013

**Annual OPEB Cost and Net OPEB Obligation** – The district's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, 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 district's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the district's net OPEB obligation. In fiscal year 2013 the district OPEB liability met the full AAL amount. Therefore, there was no OPEB expense for fiscal year 2014.

The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the district's net OPEB obligation.

	<u>Alternative Measurement Method</u>
Annual OPEB cost (expense)	\$ 0
Contribution made	<u>0</u>
Increase in net OPEB obligation	\$ 0
Net OPEB obligation - beginning of year	<u>100,436</u>
Net OPEB obligation - end of year	<u>\$100,436</u>

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

Actuarial Cost Method	<u>Alternative Measurement Method</u>
Average age of retirement (based on historical data)	62.5
Discount rate (average anticipated rate)	2%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Health care cost rate trend

<u>Year</u>	<u>% Increase</u>
2015	9.50%
2016	9.00%
2017	8.50%
2018	8.00%
2019	7.50%
2020	7.00%
2021	6.50%
2022	6.00%
2023	5.50%
2024 and after	5.00%

Actuarial calculations reflect a long-term perspective and consistent with that perspective, the actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The district has no actuarial value of assets because the plan is not funded.

The District's Annual Required Contribution (ARC) for the current and preceding two fiscal years is illustrated below. The ARC is a misleading term, since no cash contribution is actually required. No interest has been applied to the Net OPEB obligation.

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Annual Required</u> <u>Contribution (ARC)</u>	<u>Percent of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$35,579	0%	\$102,373
2013	(1,937)	0%	100,436 = AAL
2014	0	0%	100,436 = AAL

The required supplementary information section of this report presents multiple years fund information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits. The projection of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and if applicable, the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the patterns of cash shares between the employer and plan members in the future.

**NOTE 12: DEFICIT FUND BALANCES**

<u>FUND</u>	<u>BALANCE</u>	<u>HOW TO CORRECT</u>
Traffic Education	<u>(\$260)</u>	Receive Taxes Receivable

**NOTE 13: ENCUMBRANCES**

In compliance with GASB 54, the District's encumbrances are included in each fund's fund balance classification. The District had no encumbrances as of June 30, 2014.

**NOTE 14: PRIOR PERIOD ADJUSTMENTS**

<u>FUND</u>	<u>AMOUNT</u>	<u>REASON</u>
Miscellaneous	(\$19,553)	Reverse Prior Year Title I DFOG
Lease Rental	1,425	Correct Prior Year Cash Understatement
Total	<u>(\$18,128)</u>	
General – Combined	\$ 4,851	Add Comp. Abs. fund balance to General
Other Governmental Funds	<u>(4,851)</u>	Remove Comp. Abs. fund balance from Other Gov. funds
Total GASB Prior Period Adj.	<u>\$ 0</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 15: SUBSEQUENT REPORTABLE EVENTS**

Subsequent events were evaluated through January 19, 2015.

The District agreed to purchase a bus from Hartley Bus Sales for \$86,900. Also, the District contracted with Smart Flooring for new carpeting and flooring in needed areas of the school.

In July 2014, the District received a Quality Schools grant of \$189,000 from the State of MT with a financial obligation from the District. The District dedicated \$9,305 from the Flexibility fund, \$7,000 and from the Building fund for this grant. The District decided to use these funds for a ventilation project which involved asbestos removal. The District contracted with Mike Wadsworth Plumbing of Great Falls for the bulk of the project. Safetech is in charge of asbestos removal. MW Plumbing is in charge of the bulk of the project. CTA architects will oversee the project. So far, the District has paid Safetech \$7,351 and MW Plumbing \$115,446.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(Budget and Actual)  
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
for the Fiscal Year Ended June 30, 2014

	General Fund		Bus Depr Fund		Retirement Fund	
	Original & Final		Original & Final		Original & Final	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 564,299	\$ 556,204	\$ 5,000	\$ 4,976	\$ -	\$ -
Interest Earnings	238	251	-	319	-	43
Other Local & District Sources	706	-	-	-	-	-
County Sources	-	-	-	-	160,000	160,000
State Sources	<u>665,170</u>	<u>665,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,156</u>
Total Revenues	1,230,413	1,221,626	5,000	5,295	160,000	178,198
<b>EXPENDITURES:</b>						
Instructional Services		732,695	-	-	111,600	115,891
Instructional Support Services		34,673	-	-	4,500	4,091
Educational Media Services		16,297	-	-	2,100	2,026
General Administrative Services		140,946	-	-	17,000	16,710
Operation & Maintenance Services		201,613	-	-	8,500	8,426
Transportation Services		11,855	-	-	8,500	8,475
Extracurricular		47,127	-	-	4,300	4,235
School Food Services		<u>30,073</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>3,426</u>
Total Current Expenditures		1,215,279	-	-	160,000	163,281
Capital Outlay	<u>-</u>	<u>-</u>	<u>139,479</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	1,230,413	1,215,279	139,479	-	160,000	163,281
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER EXPENDITURES</b>		6,347		5,295		14,917
<b>FUND BALANCES:</b>						
BEGINNING FISCAL YEAR FUND BALANCES		110,309		134,479		28,086
PRIOR PERIOD ADJUSTMENTS		<u>-</u>		<u>-</u>		<u>-</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 116,656</u>		<u>\$ 139,774</u>		<u>\$ 43,004</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

**NOTE 1: 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 and Flexibility), Debt Service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at the end of the fiscal year, unless the District elects to encumber supplies and personal property ordered but not received at year end.

**General Budget Policies:**

The District's funds are either budgeted or nonbudgeted in accordance with State statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are nonbudgeted, 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 and Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted Special Revenue funds. The major special revenue fund Miscellaneous is not included in the schedule because it is not a budgeted fund. The original budget was not amended so the original budget and the final budget are the same.

**Budget Operation:**

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

- (1) Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- (2) By the first Monday in August, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the District's borders.
- (3) Before the later of the first Thursday in September or within 30 calendar days of the receipt of the Certified Taxable Valuations from the County Assessor, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- (4) 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.
- (5) According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the District.

**NOTE 2: STATE PORTION OF TRS AND PERS**

The State portion of TRS and PERS totaling \$17,502 and \$653 respectively is included in the Retirement Fund's revenues and expenditures reported on the District's financial statements. These expenditures are exempt from budget constraints.

Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

SCHEDULE OF FUNDING PROGRESS –  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial AAL Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
2012	\$0	\$103,373	\$102,373	0%	\$958,897	10.7%
2013	0	100,436	100,436	0%	902,366	11.0%
2014	0	100,436	100,436	0%	926,984	10.8%

The purpose of the above table is to provide information that serves as a surrogate for the funding progress of the Other Post-Employment Benefit plan.

The District recalculated its OPEB Accrued Actuarial Liability (AAL) on June 30, 2013 in accordance with GASB Statement No. 45 requirements.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

SCHEDULE OF COMBINED FUNDS  
BALANCE SHEET - COMBINED FUNDS  
as of June 30, 2014

	General Fund	Flexibility Fund	Comp Abs Fund	Total Combined Funds
<b>ASSETS:</b>				
Cash and Investments	\$ 116,656	\$ 30,107	\$ 4,862	\$ 151,625
Taxes Receivable	29,955	-	-	29,955
Receivable From Other Funds	-	10,330	-	10,330
Total Assets	<u>146,611</u>	<u>40,437</u>	<u>4,862</u>	<u>191,910</u>
<b>LIABILITIES:</b>				
Total Liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	<u>29,955</u>	-	-	<u>29,955</u>
TOTAL DEF INFLOWS OF RESOURCES	29,955	-	-	29,955
<b>FUND BALANCES:</b>				
Nonspendable:				
Interfund Loans	-	10,330	-	10,330
Assigned:				
Instruction	-	-	4,862	4,862
Unassigned (deficit):	<u>116,656</u>	<u>30,107</u>	-	<u>146,763</u>
Total Fund Balances	<u>116,656</u>	<u>40,437</u>	<u>4,862</u>	<u>161,955</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 146,611</u>	<u>\$ 40,437</u>	<u>\$ 4,862</u>	<u>\$ 191,910</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

SCHEDULE OF COMBINED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - COMBINED FUNDS  
For the Year Ended June 30, 2014

	General Fund	Flexibility Fund	Comp Abs Fund	Total Combined Funds
<b>REVENUES:</b>				
District Levies	\$ 556,204	\$ -	\$ -	\$ 556,204
Interest	251	85	11	347
Other	-	1,143	-	1,143
State	<u>665,170</u>	<u>7,867</u>	<u>-</u>	<u>673,037</u>
Total Revenues	1,221,626	9,094	11	1,230,731
<b>EXPENDITURES:</b>				
Instructional Services	732,695	-	-	732,695
Instructional Support Services	34,673	-	-	34,673
Educational Media Services	16,297	-	-	16,297
General Administrative Services	140,946	-	-	140,946
Operation & Maintenance Services	201,613	9,967	-	211,581
Transportation Services	11,855	-	-	11,855
Extracurricular	47,127	-	-	47,127
School Food Services	<u>30,073</u>	<u>-</u>	<u>-</u>	<u>30,073</u>
Total Expenditures	1,215,279	9,967	-	1,225,247
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	6,347	(874)	11	5,485
<b>FUND BALANCES:</b>				
Beginning of the Year	<u>110,309</u>	<u>41,310</u>	<u>4,851</u>	<u>156,471</u>
End of the Year	<u>\$ 116,656</u>	<u>\$ 40,437</u>	<u>\$ 4,862</u>	<u>\$ 161,955</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Stanford School District No. 12  
Judith Basin County  
Stanford, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(Budget and Actual)  
BUDGETED COMBINED FUNDS  
for the Fiscal Year Ended June 30, 2014

	General		Flexibility	
	Original & Final		Original & Final	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
District Levies	\$ 564,299	\$ 556,204	\$ -	\$ -
Interest Earnings	238	251	-	85
Other Local & District Sources	706	-	-	1,143
State Sources	<u>665,170</u>	<u>665,170</u>	<u>7,867</u>	<u>7,867</u>
Total Revenues	1,230,413	1,221,626	7,867	9,094
<b>EXPENDITURES:</b>				
Instructional Services	-	732,695	39,177	-
Instructional Support Services	-	34,673	-	-
Educational Media Services	-	16,297	-	-
General Administrative Services	-	140,946	-	-
Operation & Maintenance Services	-	201,613	10,000	9,967
Transportation Services	-	11,855	-	-
Extracurricular	-	47,127	-	-
School Food Services	<u>-</u>	<u>30,073</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	1,215,279	49,177	9,967
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		6,347		(874)
<b>FUND BALANCES:</b>				
BEGINNING FISCAL YEAR FUND BALANCES		<u>110,309</u>		<u>41,310</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 116,656</u>		<u>\$ 40,437</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Stanford School District No. 12  
 Judith Basin County  
 Stanford, MT 59479

SCHEDULE OF REPORTED ENROLLMENT  
 Fiscal Year Ended June 30, 2014

	Reported Enrollment	Per Audit	Difference
<b>FALL ENROLLMENT</b>			
<b>OCTOBER, 2013</b>			
Kindergarten:	5	5	0
Grades 1 - 6:	44	44	0
Junior High:	15	16	1
Part-time	<u>1</u>	<u>0</u>	<u>(1)</u>
Total Elementary:	<u>65</u>	<u>65</u>	<u>0</u>
High School:	<u>22</u>	<u>22</u>	<u>0</u>
Total High School:	<u>22</u>	<u>22</u>	<u>0</u>
<b>WINTER ENROLLMENT</b>			
<b>DECEMBER, 2013</b>			
Kindergarten:	6	6	0
Grades 1 - 6:	44	44	0
Junior High:	16	17	1
Part-time	<u>1</u>	0	(1)
Total Elementary:	<u>67</u>	67	<u>0</u>
High School:	<u>22</u>	22	<u>0</u>
Total High School:	<u>22</u>	<u>22</u>	<u>0</u>
<b>SPRING ENROLLMENT</b>			
<b>FEBRUARY, 2014</b>			
Kindergarten:	6	6	0
Grades 1 - 6:	44	44	0
Junior High:	16	17	1
Part-time	<u>1</u>	<u>0</u>	(1)
Total Elementary:	<u>67</u>	<u>67</u>	<u>0</u>
High School:	<u>22</u>	<u>22</u>	<u>0</u>
Total High School:	<u>22</u>	<u>22</u>	<u>0</u>

STANFORD SCHOOL DISTRICT NO. 12  
 END OF YEAR REVENUES & EXPENSES  
 STUDENT ACTIVITY FUND  
 June 30, 2014

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
CLASS OF 2013	\$ 230	\$ -	\$ 230	\$ -
CLASS OF 2014	1,911	387	2,013	285
CLASS OF 2015	481	2,852	2,348	984
CLASS OF 2016	646	1,323	73	1,896
CLASS OF 2017	46	105	-	151
4TH/5TH/SCIENCE CLUB	1,600	3,144	3,153	1,591
ALL STATE FOOTBALL	144	625	240	529
ANNUAL	1,753	3,490	4,743	500
FIT KIDS CLUB - Athletics	(281)	1,000	-	719
ATHLETICS - HS Volleyball	982	5,317	5,348	952
ATHLETICS - JH	(473)	5,378	3,695	1,210
ATHLETICS - Little Wolverines Bball	2	-	-	2
ATHLETICS - Other	6,652	25,784	29,564	2,873
ALI TROXELL (BPA)	(36)	36	-	-
BUS. PROF. OF AMERICA (BPA)	5,769	19,785	18,776	6,779
CLOSE UP	2,421	12,516	12,079	2,858
COMMUNITY BETTERMENT	1,763	500	1,614	649
CONCESSIONS	106	7,131	6,469	768
DRAMA	373	20	8	385
BOX TOPS	705	457	-	1,161
FFA	2,147	7,257	6,539	2,865
HONOR SOCIETY	24	-	-	24
HS SCIENCE CLUB	144	-	-	144
MISCELLANEOUS	2,559	2,434	3,302	1,692
MUSIC	2,068	804	1,089	1,782
PEP CLUB	167	624	791	-
SPEECH & DRAMA	268	-	-	268
MISCELLANEOUS 2	(380)	380	-	-
STUDENT COUNCIL	1,439	406	446	1,400
TOTAL	\$ 33,229	\$ 101,755	\$ 102,517	\$ 32,467
Less: Transfers		1,225	1,225	
TOTAL	\$ 33,229	\$ 100,530	\$ 101,292	\$ 32,467

Totals may not foot due to rounding

**Tripp & Associates**  
1645 Ave. D, Suite E  
Billings, Montana 59102

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

Board of Trustees  
Stanford School District No. 12  
Judith Basin County  
Stanford, MT 59479

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanford School District No. 12 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stanford School District No. 12's basic financial statements, and have issued our report thereon dated January 21, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Stanford School District No. 12'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 Stanford School District No. 12's internal control. Accordingly, we do not express an opinion on the effectiveness of Stanford School District No. 12'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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses; items 1, 2 and 3, 2014.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stanford School District No. 12's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 4 and 5, 2014.

Stanford School District No. 12's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Stanford School District No. 12's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 the audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tripp & Associates*

**T**ripp & **A**ssociates  
Billings, Montana  
January 21, 2015

**Kurt Myllymaki**  
Chairman

**Ward Smail**  
Vice-Chairman

**Jason Oltrogge**  
Trustee

**Jim Dye**  
Trustee

**Jennifer Taylor**  
Trustee

## STANFORD SCHOOL DISTRICT #12



### SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

#### **FINDING NUMBER 1 – 2013 – CASH (Repeat finding from 2012)**

This is not a finding for fiscal year 2014

#### **FINDING NUMBER 2 – 2013 – CAPITAL ASSETS (Repeat finding from 2012)**

This is not a finding for fiscal year 2014

#### **FINDING NUMBER 4 – 2013 – BUDGET (Repeat finding from 2012)**

This is not a finding for fiscal year 2014

#### **FINDING NUMBER 6 – 2013 – SCHOOL FOOD**

This is not a finding for fiscal year 2014

#### **FINDING NUMBER 3 – 2014 – LIABILITIES (Repeated finding 2012 - 2014)**

**Criteria:** GAAP requires that liabilities are properly reported.

**Condition:** The District's Other Post-Employment Benefits (OPEB) liability was overstated by \$16,937.

**Context:** The District reported an increase of \$16,937 in its OPEB liability when the OPEB liability had already reached its maximum liability of \$100,436.

**Possible Effect:** Noncompliance with GASBS 45 for OPEB reporting. OPEB liability was overstated by \$16,937.

**Cause:** The District ignored the maximum OPEB liability when preparing the TFS.

**Recommendation:** We recommend that the District designate an employee to review the calculated OPEB liability and assure properly reporting on the TFS.

**Auditee Response:** The District has already corrected 2013-2014 Trustees Report and will monitor the OPEB liability maximum in the future.

#### **FINDING NUMBER 5 – 2014 – STUDENT ACTIVITIES (Repeat finding 2012 - 2014)**

**Criteria:** MCA requires that the District account for the revenues, expenses and cash balances of the student activities.

**Condition:** 1. The District did not provide an annual totals page supporting its Extracurricular activities for audit. The Schedule of Extracurricular Revenues, Expenditures and Changes in Fund Balances – Extracurricular Activities was prepared from information pulled from the Extracurricular accounting system and June 30, 2014 bank statements. Beginning balances were extrapolated from the District's current year revenues and expenditures for each extracurricular fund and known ending cash on hand.

2. The District over-reported Student Activities revenues and expenditures and under-reported Student Activity cash and fund balance on the Trustees' Financial Summary (TFS)

**Context:** The District's Extracurricular accounting system was re-set with beginning cash and individual fund balances as of November 2013. Then, the District entered revenues and expenditures back to July 1, 2013. As a result, cash did not reconcile to cash on hand in checking or CD accounts. Beginning student activity account balances required re-stating as well.

**Possible Effect:** The revenues, expenditures, cash on hand and fund balance reported on the TFS did not match the actual student activities account balances and cash on hand verified to bank statements.

**Cause:** The District has struggled to gain control of student activities accounting operations.

**Recommendation:** The District should reconcile Extracurricular cash on a monthly basis; prepare a monthly report showing each activity's beginning balance, revenues, expenditures and ending balance. The total of all student activity ending balances should total to the amount held in the student activity checking and CD accounts. Also, the District should encourage the activity sponsors to be more involved in the accounting process for their respective activity to provide proper checks and balances.

**Auditee Response:** The District has struggled with fund balances in the Student Activities and has made great progress from past audits. There has been a turn-around in secretaries and clerks which has proven hard to gain control on procedures with Student Activities. As per the recommendation from the auditor, the District will reconcile monthly to the bank statement and monitor fund balances with tracking revenues and expenditures. The fund balance has been corrected on the 2013-2014 Trustees Report with OPI.

SCHEDULE OF FINDINGS AND RESPONSES

**A.** Summary of Auditor's Results

**Financial Statements:**

The auditor, Tripp & Associates, has issued an unmodified opinion on Stanford School District No. 12's financial statements as of and for the year ended June 30, 2014.

**Internal Control over financial reporting:**

- Material Weaknesses identified?                     YES         NO
- Significant Deficiencies identified?                 YES         NONE REPORTED

Noncompliance material to financial statements noted?                     YES         NO

**B.** Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

**FINDING NUMBER 1 – 2014 – LIABILITIES (Repeated finding 2012 - 2014)**

Criteria: GAAP requires that liabilities are properly reported.

Condition: The District's Other Post-Employment Benefits (OPEB) liability was overstated by \$16,937.

Context: The District reported an increase of \$16,937 in its OPEB liability when the OPEB liability had already reached its maximum liability of \$100,436.

Possible Effect: Noncompliance with GASBS 45 for OPEB reporting. OPEB liability was overstated by \$16,937.

Cause: The District ignored the maximum OPEB liability when preparing the TFS.

Recommendation: We recommend that the District designate an employee to review the calculated OPEB liability and assure properly reporting on the TFS.

Auditee Response: The District has already corrected 2013-2014 Trustees Report and will monitor the OPEB liability maximum in the future.

**FINDING NUMBER 2 – 2014 – STUDENT ACTIVITIES (Repeat finding 2012 - 2014)**

Criteria: MCA requires that the District account for the revenues, expenses and cash balances of the student activities.

Condition: 1. The District did not provide an annual totals page supporting its Extracurricular activities for audit. The Schedule of Extracurricular Revenues, Expenditures and Changes in Fund Balances – Extracurricular Activities was prepared from information pulled from the Extracurricular accounting system and June 30, 2014 bank statements. Beginning balances were extrapolated from the District's current year revenues and expenditures for each extracurricular fund and known ending cash on hand.

2. The District over-reported Student Activities revenues and expenditures and under-reported Student Activity cash and fund balance on the Trustees' Financial Summary (TFS)

Context: The District's Extracurricular accounting system was re-set with beginning cash and individual fund balances as of November 2013. Then, the District entered revenues and expenditures back to July 1, 2013. As a result, cash did not reconcile to cash on hand in checking or CD accounts. Beginning student activity account balances required restating as well.

Possible Effect: The revenues, expenditures, cash on hand and fund balance reported on the TFS did not match the actual student activities account balances and cash on hand verified to bank statements.

Cause: The District has struggled to gain control of student activities accounting operations.

Recommendation: The District should reconcile Extracurricular cash on a monthly basis; prepare a monthly report showing each activity's beginning balance, revenues, expenditures and ending balance. The total of all student activity ending balances should total to the amount held in the student activity checking and CD accounts. Also, the District

## SCHEDULE OF FINDINGS AND RESPONSES (Continued)

should encourage the activity sponsors to be more involved in the accounting process for their respective activity to provide proper checks and balances.

Auditee Response: The District has struggled with fund balances in the Student Activities and has made great progress from past audits. There has been a turn-around in secretaries and clerks which has proven hard to gain control on procedures with Student Activities. As per the recommendation from the auditor, the District will reconcile monthly to the bank statement and monitor fund balances with tracking revenues and expenditures. The fund balance has been corrected on the 2013-2014 Trustees Report with OPI.

### **FINDING NUMBER 3 – 2014 ASSETS & DEFERRED INFLOWS OF RESOURCES**

Criteria: GAAP requires that all assets and deferred inflows of resources are reported.

Condition: Protested taxes receivable were not reported for any of the District's funds.

Context: Protested taxes receivable totaling \$33,194 and corresponding deferred inflows of resources were not reported for any of the District's funds on the TFS.

Possible Effect: After the conversion of the TFS to the GASBS 34 financial statements, assets reported on the Statement of Net Position, and both assets and deferred inflows of resources reported on the Governmental Funds Balance Sheet would have been under-reported by \$33,194.

Cause: In prior years the County did not provide the District with an accounting of Protested Taxes receivable. Therefore, the District was unfamiliar with reporting any protested taxes receivable.

Recommendation: We recommend that the District take more care when reporting County taxes receivable on the TFS to assure that all assets and deferred inflows of resources are properly reported in accordance with GAAP.

Auditee Response: The District has never reported Protested Taxes in past Trustees Reports and failed to add the Protested Taxes receivable totaling \$33,194. The 2013-2014 Trustees Report has been corrected with OPI and the District will add the protested taxes reportable to future Trustee Reports.

### **FINDING NUMBER 4 – 2014 ANB**

Criteria: Montana Office of Public Instruction (OPI) requires that student counts are properly reported.

Condition: The MAEFAIRS Student count reported to OPI shows a part-time 7<sup>th</sup> grader in error.

Context: A 7<sup>th</sup> grader was reported as a ¾ time student but they actually qualified as a full time student.

Possible Effect: The District received less state Equalization money than it should have received.

Cause: Confusion in the proper reporting of the student qualification.

Recommendation: We recommend that the District seek assistance with ANB reporting when unusual items arise.

Auditee Response: The District will monitor and clarify the ANB report to make sure all students are reported and claimed properly in future student count reports.

### **FINDING NUMBER 5 – 2014 LEASE RENTAL CASH**

Criteria: MCA, OPI allows the Lease Rental fund to have a maximum cash balance for K-12 schools of \$20,000.

Condition: As of June 30, 2014, the Lease Rental fund cash balance is \$22,329.

Context: The Lease Rental fund has more cash than allowed.

Possible Effect: Non-compliance with MCA, OPI.

Cause: The District clerk was unfamiliar with a lease rental fund and was not aware of the cash restriction on this fund.  
Recommendation: We recommend that the District move excess lease rental funds to the General fund prior to June 30 each year.

Auditee Response: The Clerk is now aware of this MCA regarding the Lease Rental fund balance to not exceed \$20,000 for a K-12 District. The District will move excess Lease Rental monies to the General fund prior to June 30, to avoid a future finding.