

SWAN RIVER PUBLIC SCHOOL  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

SWAN RIVER PUBLIC SCHOOL  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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SWAN RIVER PUBLIC SCHOOL  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Dawn Dowellgrim	Chairperson
Ben Haag	Vice Chairperson
Toby Thompson	Trustee
Dan Elwell	Trustee
Brooke Johnston	Trustee

**DISTRICT OFFICIALS**

Marc Bunker	District Principal
Dee Johnson	Business Manager
Marcia Sheffels	County Superintendent
Ed Corrigan	County Attorney

# Swan River School District #4

1205 Swan Highway  
Bigfork, MT 59911



Marc Bunker, Principal  
Dee Johnson, District Clerk

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

The Principal and the Clerk of Swan River School District #4 have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for fiscal year ended **June 30, 2014**. Certain comparative information between the current year and the prior year is required to be presented; however, Statement No. 34 permits the omission of this comparative data in the first year of adoption of the new reporting model. Subsequent reports will include the required comparative information.

### **Financial Highlights**

#### **Using This Financial Report**

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB 34). Components and purposes of the report are explained below.

#### **Reporting the School District as a Whole**

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

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

B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district’s various functions. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The Statement of Net Position and the Statement of Activities includes:

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

2. Proprietary (business-type) Activities: The district does not have any proprietary funds at this time.

3. Trust & Fiduciary Responsibilities: The district is the trustee for the student extra-curricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used to their intended purposes. The district also uses an internal payroll and claims clearing fund.

Component Units: The district does not presently act as a fiscal host for any cooperative

### **Reporting the District's Most Significant Funds**

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

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

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

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

### **Budget – to – Actual Comparisons**

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

The budgetary comparison schedules are attached and show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The following significant variances between the final expenditure budget and the actual expenditures exist for the General Fund:

A. General Regular Instruction: a negative variance of \$12,324 budget to actual was due to unexpected retirement payout of sick leave.

B. Instructional Media Services: A positive variance of \$ 240 budget to actual were used as budgeted.

C. Support Services – General Administration: A negative variance of \$4,302.00 budget to actual, because of vacation leave, supplies, and professional services

D. Instructional – special education: a positive variance of \$1,961.00 budget to actual were used as budgeted

E . Supporting Services – operation and maintenance: a positive variance of \$7,805 budget to actual, were used as budgeted with extra left from electricity budgeted

F Other General Current Charges: The positive variance's budget to actual are used to support the negative balance in General, support services and special education support services

G . Building Acquisition and Construction Services: N/A

As a whole the general budget has a balance of \$465.00 budget to actual. Due to a continued increasing enrollment, all of the district's general funds are utilized to cover current liabilities. It also shows that the district needed all of a levy that was passed in the general fund for the **06-07** school year. Any excess funds were spent for supplies and equipment. Also, \$200.96 was put into sick leave reserve.

The District as a Whole: Swan River School District #4

	<u>Governmental Activities</u>		
	<u>FY 14</u>	<u>FY 13</u>	<u>Change Inc (DEC)</u>
Current and other assets	\$ 179,443	\$ 179,379	\$ 64
Capital assets	<u>2,114,092</u>	<u>2,172,559</u>	<u>(58,467)</u>
Total assets	\$ 2,293,535	\$ 2,351,938	\$ (58,403)
Long-term debt outstanding	\$ <u>1,027,930</u>	\$ <u>1,031,353</u>	\$ <u>(3,423)</u>
Total Liabilities	\$ 1,027,930	\$ 1,031,353	\$ (3,423)
Net invested in capital assets	\$ 1,344,092	\$ 1,347,559	\$ (3,467)
Restricted	116,943	122,214	(5,271)
Unrestricted (deficit)	<u>(195,430)</u>	<u>(149,188)</u>	<u>(46,242)</u>
Total net position	\$ 1,265,605	\$ 1,320,585	\$ (54,980)

The district's total revenues for the fiscal year ended June 30, 2014 were \$ 1,304,194 the total cost of all programs and services was \$1,359,174 which created a decrease in net position of \$54,980. District taxpayers paid approximately \$371,681 or 29% of the total revenues and remainder was financed through charges for services, operating grants, other state revenues and investment earnings.

Governmental Activities

Revenues	<u>FY 14</u>	<u>FY 13</u>	<u>Change Inc (DEC)</u>
Program Revenues (by major source)			
Charges for Service	\$ 30,928	\$ 22,798	\$ 8,130
Operating grants and contributions	121,103	142,872	(21,769)
General revenues (by major source)			
Property taxes for general purposes	371,681	513,845	(142,164)
Grants & entitlements not restricted to			
Specific purposes	640,560	630,741	9,819
Investment earnings	557	686	(129)
State Entitlement (block grant)	18,792	19,746	(954)
County retirement	120,571	107,678	12,893
Total revenues	<u>\$ 1,304,192</u>	<u>\$ 1,438,366</u>	<u>(134,174)</u>
Program expenses			
Instructional- regular	\$ 804,215	\$ 751,553	\$ 52,662
Instructional-special education	81,836	65,575	16,261
Supporting services-operations & maint	101,962	126,661	(24,699)
Supporting services- general	14,848	14,195	653
Supporting services- educ media services	24,530	36,149	(11,619)
Administration-general	168,328	70,361	(2033)
Student transportation	4,151	4,888	(737)
Extracurricular	5,534	5,617	(83)
School food	61,835	84,889	(23,054)
Debt service expense- interest	33,468	41,706	(8,238)
Unallocated depreciation	58,467	58,469	(2)
Total expenses	<u>\$ 1,359,174</u>	<u>\$ 1,360,063</u>	<u>\$ (889)</u>
Excess (deficiency) before			
Special items and transfers	<u>\$ (54,982)</u>	<u>\$ 78,303</u>	<u>\$(133,285)</u>
Increase (decrease) in net position	<u>\$ (54,982)</u>	<u>\$ 78,303</u>	<u>\$(133,285)</u>

**Spending levels compared to Resource Levels**

**FY 2013-2014**

Expenditures Supported with General Revenues	\$ 1,152,161
(From taxes and other sources for general school use)	
Expenditures supported with Program Revenues	\$ <u>152,031</u>
Total Expenditures Related to Governmental Activities	\$ 1,359,174

**Capital Assets**

As of June 30, 2012, The District has invested \$2,114,092 in capital assets including land, buildings, machinery and equipment. Total depreciation expense for the year was 58,467 The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014.

Capital assets, building and improvements	\$ 2,001,873
Capital assets – Land	112,219
Construction in Progress	\$ <u>-0-</u>
<b>Total Capital Assets</b>	<b>\$ 2,114,092</b>

**Debt Administration**

At June 30, 2014, the District had \$1,146,443 in general obligation bonds and other long-term debt outstanding, of which \$165,000 is due within one year. A summary of the District's outstanding long-term debt is presented below:

General obligation bonds	\$ 770,000
Compensated absences	\$ 45,676
OPEB	\$ 212,254

**The District's Future**

The following will be major factors in the future of the District:

The district has a staff that is very stable and is at the top end of the salary schedule for both years of experience and education credits. In 2014 we have 1 cook leaving and 1 Certified Title Teacher retiring.

Swan River School completed the process of constructing a new gymnasium, stage area, art room and band room. No further construction is anticipated in the near future. The Board of Trustees is still looking to remove the old Quonset building from its present site.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Swan River Public School  
Flathead County  
Bigfork, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swan River Public School, Flathead County, Montana, 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 in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the Swan River Public School, Flathead County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 6, 32 through 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 revenues and expenditures for the extracurricular fund and the schedule of enrollment are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Swan River Public School, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Swan River Public School, Flathead County, Montana's internal control over financial reporting and compliance.

*Denning, Downey and Associates, CPAs, P.C.*

June 15, 2015

**Swan River Public School, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 123,116
Taxes and assessments receivable, net	36,700
Due from other governments	19,627
Total current assets	\$ 179,443
Noncurrent assets	
Capital assets - land	\$ 112,219
Capital assets - depreciable, net	2,001,873
Total noncurrent assets	\$ 2,114,092
Total assets	\$ 2,293,535
<b>LIABILITIES</b>	
Current liabilities	
Current portion of long-term capital liabilities	\$ 55,000
Total current liabilities	\$ 55,000
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	\$ 212,254
Noncurrent portion of long-term capital liabilities	715,000
Noncurrent portion of compensated absences	45,676
Total noncurrent liabilities	\$ 972,930
Total liabilities	\$ 1,027,930
<b>NET POSITION</b>	
Net investment in capital assets	\$ 1,344,092
Restricted for debt service	29,856
Restricted for special projects	87,087
Unrestricted	(195,430)
Total net position	\$ 1,265,605

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>				<u>Governmental Activities</u>
Instructional - regular	\$ 804,215	\$ 3,325	\$ 64,841	\$ (736,049)
Instructional - special education	81,836	-	26,879	(54,957)
Supporting services - operations & maintenance	101,962	-	-	(101,962)
Supporting services - general	14,848	-	-	(14,848)
Supporting services - educational media services	24,530	-	-	(24,530)
Administration - general	168,328	-	-	(168,328)
Student transportation	4,151	-	800	(3,351)
Extracurricular	5,534	-	-	(5,534)
School food	61,835	27,603	28,583	(5,649)
Debt service expense - interest	33,468	-	-	(33,468)
Unallocated depreciation*	58,467	-	-	(58,467)
Total primary government	\$ 1,359,174	\$ 30,928	\$ 121,103	\$ (1,207,143)
General Revenues:				
			\$	371,681
				640,560
				557
				18,792
				120,571
			\$	1,152,161
			\$	(54,982)
			\$	1,320,587
			\$	1,265,605

\* This amount excludes the depreciation that is included in the direct expenses of the various programs  
See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 39,117	\$ 42,963	\$ 20,970	\$ 16,022	\$ 4,044	\$ 123,116
Taxes and assessments receivable, net	23,383	-	-	12,577	740	36,700
Due from other governments	-	-	19,627	-	-	19,627
Total assets	<u>\$ 62,500</u>	<u>\$ 42,963</u>	<u>\$ 40,597</u>	<u>\$ 28,599</u>	<u>\$ 4,784</u>	<u>\$ 179,443</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	\$ 23,383	\$ -	\$ -	\$ 12,577	\$ 740	\$ 36,700
Total deferred inflows of resources	<u>\$ 23,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,577</u>	<u>\$ 740</u>	<u>\$ 36,700</u>
<b>FUND BALANCES</b>						
Restricted	\$ -	\$ 42,963	\$ 40,597	\$ 16,022	\$ 4,269	\$ 103,851
Assigned	4,303	-	-	-	-	4,303
Unassigned fund balance	34,814	-	-	-	(225)	34,589
Total fund balance	<u>\$ 39,117</u>	<u>\$ 42,963</u>	<u>\$ 40,597</u>	<u>\$ 16,022</u>	<u>\$ 4,044</u>	<u>\$ 142,743</u>

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2014**

<b>Total fund balances - governmental funds</b>	\$ 142,743
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,114,092
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	36,700
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,027,930)
<b>Total net position - governmental activities</b>	<b>\$ <u>1,265,605</u></b>

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local revenue	\$ 271,528	\$ 161	\$ 9,534	\$ 94,549	\$ 36,258	\$ 412,030
County revenue	-	120,571	-	-	-	120,571
State revenue	674,771	-	-	4,786	2,127	681,684
Federal revenue	-	-	63,211	-	28,582	91,793
Total revenues	<u>\$ 946,299</u>	<u>\$ 120,732</u>	<u>\$ 72,745</u>	<u>\$ 99,335</u>	<u>\$ 66,967</u>	<u>\$ 1,306,078</u>
<b>EXPENDITURES</b>						
Instructional - regular	\$ 585,283	\$ 98,317	\$ 67,728	\$ -	\$ 1,310	\$ 752,638
Instructional - special education	64,948	7,069	2,664	-	7,155	81,836
Supporting services - operations & maintenance	95,701	5,948	313	-	-	101,962
Supporting services - general	12,949	1,899	-	-	-	14,848
Supporting services - educational media services	22,473	2,057	-	-	-	24,530
Administration - general	153,141	15,187	-	-	-	168,328
Student transportation	3,351	-	-	-	800	4,151
Extracurricular	4,957	577	-	-	-	5,534
School food	-	4,234	-	-	57,601	61,835
Debt service expense - principal	-	-	-	55,000	-	55,000
Debt service expense - interest	-	-	-	33,468	-	33,468
Total expenditures	<u>\$ 942,803</u>	<u>\$ 135,288</u>	<u>\$ 70,705</u>	<u>\$ 88,468</u>	<u>\$ 66,866</u>	<u>\$ 1,304,130</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,496</u>	<u>\$ (14,556)</u>	<u>\$ 2,040</u>	<u>\$ 10,867</u>	<u>\$ 101</u>	<u>\$ 1,948</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 201	\$ 201
Transfers out	(201)	-	-	-	-	(201)
Total other financing sources (uses)	<u>\$ (201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 3,295</u>	<u>\$ (14,556)</u>	<u>\$ 2,040</u>	<u>\$ 10,867</u>	<u>\$ 302</u>	<u>\$ 1,948</u>
Fund balances - beginning	\$ 35,822	\$ 57,519	\$ 38,557	\$ 5,155	\$ 3,742	\$ 140,795
Fund balance - ending	<u>\$ 39,117</u>	<u>\$ 42,963</u>	<u>\$ 40,597</u>	<u>\$ 16,022</u>	<u>\$ 4,044</u>	<u>\$ 142,743</u>

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

Amounts reported for *governmental activities* in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$ 1,948
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Depreciation expense	(58,467)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	(1,886)
The change in compensated absences is shown as an expense in the Statement of Activities	1,039
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	55,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(52,616)
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>(54,982)</u></b>

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 14,264	\$ 17,265
Total assets	\$ 14,264	\$ 17,265
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 17,265
Total liabilities	\$ -	\$ 17,265
<b>NET POSITION</b>		
Assets held in trust	\$ 14,264	

See accompanying Notes to the Financial Statements

**Swan River Public School, Flathead County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Student activities	\$ 19,727
Total additions	\$ 19,727
<b>DEDUCTIONS</b>	
Student activities	\$ 19,865
Total deductions	\$ 19,865
Change in net position	\$ (138)
 Net Position - Beginning of the year	 \$ 14,402
 Net Position - End of the year	 \$ 14,264

See accompanying Notes to the Financial Statements

SWAN RIVER PUBLIC SCHOOL  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the Entity complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Entity.

*Primary Government*

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

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**Basis of Presentation, Measurement Focus and Basis of Accounting.**

*Government-wide Financial Statements:*

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

SWAN RIVER PUBLIC SCHOOL  
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**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

*General Fund* - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

*Retirement Fund* - Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare.

*Miscellaneous Programs Fund* - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

*Debt Service Fund* - Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA. The Debt Service Fund is a budgeted fund.

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds

*Extracurricular Activities Fund* – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities,

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such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014, consisted of time deposits, certificates of deposit, Federal Home Loan Bank, Federal National Mortgage Association, Federal Agriculture Association, and U.S. Government securities.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 South Main Street, Kalispell, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2014. The Flathead County investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

**Deposits**

The District's deposit balance at year end was \$14,264 and the bank balance was \$14,406. The District's deposits at year-end were fully insured by FDIC.

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**NOTE 3. RECEIVABLES**

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.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. INVENTORIES**

The costs of inventories are recorded as expenditures when purchased.

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	20 years
Equipment	5 years

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has no infrastructure to include in the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 112,219	\$ -	\$ 112,219
Other capital assets:			
Buildings	\$ 2,730,806	\$ -	\$ 2,730,806
Improvements other than buildings	54,435	-	54,435
Machinery and equipment	32,076	-	32,076
Total other capital assets at historical cost	\$ 2,817,317	\$ -	\$ 2,817,317
Less: accumulated depreciation	\$ (756,977)	\$ (58,467)	\$ (815,444)
Total	<u>\$ 2,172,559</u>	<u>\$ (58,467)</u>	<u>\$ 2,114,092</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Unallocated	\$ <u>58,467</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 825,000	\$ -	\$ (55,000)	\$ 770,000	\$ 55,000
Compensated absences	46,715	-	(1,039)	45,676	-
Other post-employment Benefits	159,638	52,616	-	212,254	-
Total	<u>\$ 1,031,353</u>	<u>\$ 52,616</u>	<u>\$ (56,039)</u>	<u>\$ 1,027,930</u>	<u>\$ 55,000</u>

\*See Note 7

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In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2014
Building	1/1/06	3.8-4.5%	19 yrs	7/1/25	\$ <u>1,191,000</u>	Varies	\$ <u>770,000</u>

Annual requirement to amortize debt:

For Fiscal			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 55,000	\$ 30,969	
2016	60,000	28,769	
2017	60,000	26,444	
2018	65,000	24,119	
2019	65,000	21,600	
2020	70,000	19,000	
2021	75,000	16,200	
2022	75,000	13,200	
2023	80,000	10,106	
2024	80,000	6,806	
2025	85,000	3,506	
Total	\$ <u>770,000</u>	\$ <u>200,719</u>	

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

Each teacher will be allowed ten (10) days of paid sick leave each year. Unused days may accumulate to a maximum of eighty (80) days. Upon separation from employment, a teacher will be paid one-third (1/3) of his/her unused and accumulated sick leave at his/her daily rate of pay at the time of separation.

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The liability associated with governmental fund-type employees is reported in the governmental-type activities.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Funding Policy.* The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

*Funding Status and funding Progress.* The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 296,833
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 296,833</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 699,795
UAAL as a percentage of covered payroll	53.1%

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

Annual Required Contribution (ARC)	\$ 52,616
Annual OPEB cost (expense)	<u>\$ 52,616</u>
Increase in net OPEB obligation	\$ 52,616
Net OPEB obligation - beginning of year	<u>159,638</u>
Net OPEB obligation - end of year	<u>\$ 212,254</u>

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	1.00%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2014	7.80%
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and after	6.90%

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Fund compensated absence liability	Compensated Absences – Nonmajor governmental	General – Major governmental	\$ <u>201</u>

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

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Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

\* For PERS members hired prior 7/1/2011 that rate is 6.90%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The District's contributions for the years ended June 30, 2012, 2014, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>		<u>TRS</u>
2012	\$ 6,785	\$	43,127
2013	\$ 5,848	\$	43,421
2014	\$ 6,382	\$	60,408

**NOTE 10. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

For committed fund balance the government’s highest level of decision-making authority is and the formal action that is required to be taken to establish, modify or rescind a fund balance commitment is School Board.

For assigned fund balance the body or official authorized to assign amounts to a specific purpose is District Clerk and the policy established by the governing body pursuant to which that authorization is given is Board Policy.

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Retirement	\$ 42,963	Employer portion of employee benefits
Miscellaneous Programs	40,597	Third party grantor restrictions
Debt Service	16,022	Debt service
Aggregate Remaining Funds:		
	128	Student transportation services
	1,678	School food services
	1,257	Debt service
	<u>1,206</u>	Instructional services
	<u>\$ 103,851</u>	

**Other Significant Commitments**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	<u>\$ 4,303</u>	Encumbrances

**NOTE 12. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
Tuition	\$ <u>225</u>	Expenditures exceeded revenues	Future tax revenues

**NOTE 13. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

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The District is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District's contribution to the Cooperative was \$2,663 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$4,669 for fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on the FY 98 ANB. Each District is charge a fee for each student participating in the program. For the fiscal year ended June 30, 2014, the District paid \$0 to the Interlocal.

**NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

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

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**NOTE 15. RISK MANAGEMENT**

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Swan River Public School, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 270,746	\$ 270,746	\$ 271,516	\$ 770
County revenue	-	-	-	-
State revenue	673,580	673,580	673,580	-
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 944,326	\$ 944,326	\$ 945,096	\$ 770
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 574,417	\$ 574,417	\$ 586,741	\$ (12,324)
Instructional - special education	66,909	66,909	64,948	1,961
Supporting services - operations & maintenance	104,106	104,106	96,301	7,805
Supporting services - general	12,892	12,892	12,949	(57)
Supporting services - educational media services	22,713	22,713	22,473	240
Administration - general	147,839	147,839	152,141	(4,302)
Student transportation	-	-	3,351	(3,351)
Extracurricular	7,900	7,900	4,957	2,943
School food	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Other current charges	7,550	7,550	-	7,550
Total charges to appropriations	\$ 944,326	\$ 944,326	\$ 943,861	\$ 465
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (201)	\$ (201)
Total other financing sources (uses)	\$ -	\$ -	\$ (201)	\$ (201)
Net change in fund balance			\$ 1,034	
Fund balance - beginning of the year			\$ 30,505	
<b>Fund balance - end of the year</b>			<b>\$ 31,539</b>	

**Swan River Public School, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Retirement</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 27,687	\$ 27,687	\$ 161	\$ (27,526)
County revenue	121,470	121,470	120,571	(899)
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 149,157</u>	<u>\$ 149,157</u>	<u>\$ 120,732</u>	<u>\$ (28,425)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 27,687	\$ 27,687	\$ 98,317	\$ (70,630)
Instructional - special education	-	-	7,069	(7,069)
Supporting services - operations & maintenance	-	-	5,948	(5,948)
Supporting services - general	-	-	1,899	(1,899)
Supporting services - educational media services	-	-	2,057	(2,057)
Administration - general	-	-	15,187	(15,187)
Student transportation	-	-	-	-
Extracurricular	-	-	577	(577)
School food	-	-	4,234	(4,234)
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Other current charges	121,470	121,470	-	121,470
Total charges to appropriations	<u>\$ 149,157</u>	<u>\$ 149,157</u>	<u>\$ 135,288</u>	<u>\$ 13,869</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (14,556)</u>	
Fund balance - beginning of the year			<u>\$ 57,519</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 42,963</u></u>	

**Swan River Public School, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<b>General</b>	<b>Retirement</b>
<b>Sources/Inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 945,096	\$ 120,732
Combined funds (GASBS 54) revenues	1,203	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 946,299	\$ 120,732
<b>Uses/Outflows of resources</b>		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 943,861	\$ 135,288
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
- Encumbrances reported at the beginning of the year	3,245	-
- Encumbrances reported at the end of the year	(4,303)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 942,803	\$ 135,288

**Note B**

**The Miscellaneous Programs fund is a major special revenue fund in which a legally adopted budget is not required.**

**Swan River Public School, Flathead County**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (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))
July 1, 2009	\$ -	\$ 242,388	\$ 242,388	0%	\$ 777,286	31.2%
July 1, 2012	\$ -	\$ 296,833	\$ 296,833	0%	\$ 699,795	42.4%

# **SUPPLEMENTAL INFORMATION**







Swan River Public School, Flathead County  
**EXTRACURRICULAR FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES AND EXPENDITURE**  
 Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
Band/Music #2	\$ 221	\$ 160	\$ 244	\$ 137
Drama #3	219	81	13	287
Juice \$ & Misc #4	3,264	3,195	3,382	3,077
Student Store #5	1,542	1,488	1,496	1,534
Eighth Grade Trip #6	4,920	7,774	7,139	5,555
Playground Fund #11	218	-	-	218
Box Tops #12	1,387	2,602	2,697	1,292
Technology #14	822	-	20	802
B-ball Uniforms #26	20	463	463	20
Outdoor Ed #27	1,479	648	1,189	938
Gym Revenue #30	235	2,476	2,321	390
Year Book Fund #32	75	840	901	14
Total	<u>\$ 14,402</u>	<u>\$ 19,727</u>	<u>\$ 19,865</u>	<u>\$ 14,264</u>

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**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  
Swan River Public School  
Flathead County  
Bigfork, Montana

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 Swan River Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Swan River Public School's basic financial statements and have issued our report thereon dated June 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Swan River Public School, Flathead County, Montana'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 Swan River Public School, Flathead County, Montana'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Denning, Downey and Associates, CPAs, P.C.*

June 15, 2015