

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

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

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-11
Independent Auditor’s Report	12-14
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	15
Statement of Activities	16
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Fiduciary Fund Types	21
Statement of Changes in Net Position - Fiduciary Fund Types	22
Notes to Financial Statements	23-37
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule	38-40
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	41
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	42
<b>Supplemental Information</b>	
Schedule of Enrollment	43-45
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	46
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	47-48

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Shaun Scott  
Kevin McDonnell  
Kari Williams  
Doug Saltzman  
Marvin Reddick

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Andrea Johnson  
Pamela Watson  
Doug Ellis  
Karla Mae Bosse

District Superintendent  
District Clerk  
County Superintendent  
County Attorney

**BROADWATER COUNTY  
TOWNSEND, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

The Superintendent and Clerk of Townsend K-12 School District #1 have provided this MD & A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014. Comparative information between the current year and the prior is included in the MD & A.

***USING THIS FINANCIAL REPORT***

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). 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.

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

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories: Governmental, Proprietary and Component units. Townsend School only has Governmental activities:

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.

**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 column.

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

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

### **Reporting the District’s Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, for: the McCarthy Endowment Fund, The Fred and Joye Meyer Memorial Scholarship Fund and the Student Extracurricular Funds. This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

The McCarthy Endowment Fund uses interest from a gift of \$324,000 from Laurie McCarthy to provide student scholarships. Each year two to seven scholarships are awarded to graduating high school seniors in the amount of \$500 to \$3000 for college costs. Other scholarships in the amount of \$40 - \$60 have been given in the past to several high school students to help offset the cost for the dual credit college courses offered at Broadwater High School if funds are available. The interest earnings have declined dramatically.

The Fred and Joye Meyer Memorial Scholarship fund uses interest from a gift of \$100,000 from Fred and Joye Meyer. The interest is used for a scholarship for a Montana born Broadwater High School graduate attending any post-high school or vocational education.

The Student Extracurricular Funds are used for athletic and student activity costs at Broadwater High School.

### **BUDGET-TO-ACTUAL COMPARISONS**

The budgetary comparison schedules show how actual local, county and state revenue compared to the original and final budgeted revenue and how the expenditures compared to the original and final budgeted expenditures for the General Fund, Transportation Fund and the Retirement Fund. –The following significant variances between the final expenditure and revenue budgets and the actual expenditures and revenues exist:

## Revenue

**Local Revenue – Retirement Fund** – A positive variances of \$2630 in the Retirement fund was due to more interest revenue being recorded than was anticipated.

**County, State and Federal Revenue - Transportation Fund** – The transportation budget showed expected County and State revenue of \$71,213 each. The negative variance of \$7,420 each is again mostly due to the transportation contingency line item not being needed.

## Expenditures

**Supporting Services – Operations and Maintenance** – A negative variance of \$51,404 was recorded due to 2<sup>nd</sup> Street planning services, classroom makeover expenses and end of year expenses: track gravel, windows, paving, flooring tiles and door locks.

**Administration – General** – A positive variance of \$23,423 was mainly due to decreased costs for professional services, internet (e-rate), telephone, postage, printing, dues/fees.

**Administration – School** – A positive variance of \$24,810 was noted. All expenditures in most line items in school administration had significant positive variances. Two principals left the district which created a large positive variance in the health insurance line item.

**Student Transportation** – A positive variance of \$5482 occurred due to lower bus driver salaries overall.

**Student Extracurricular** – A negative variance of \$12,354 exists because of end of year purchasing: headsets, athletic supplies, and uniforms.

**School Food** – The district budgeted for hot lunch staff, food, supplies and minor equipment in the general fund in the amount of \$27,043. \$8,040 of that was not utilized because the school food fund was able to fund most of the school food expenditures.

**Debt Service Principal** – The district budgeted for the copier lease but not the new Meraki lease. That is the reason for the negative variance of \$11,544 in the debt service expense – principal appropriation.

**Capital Outlay** – A negative variance of \$44,220 exists in this area. The district had a fence installed for the bus area and completed a roofing project on the 1963 gym. These items were not anticipated and therefore not budgeted. The variance also includes the new Meraki lease of \$34,104.

**Transportation Fund – Student Transportation** – A positive variance of \$19,788 was noted. This is due to the fuel clause in the bus contractor contracts and unused contingency. Bus contractors are paid an additional amount if fuel prices increase. The district budgets for the increase. \$7,131 of that budget was not expended. Also, the district was not obligated to pay for additional individual transportation contracts or additional bus routes so the contingency line item was not fully expended.

**Transportation Fund –Capital Outlay** – A positive variance of \$160,000 exists in this area. The district is planning to construct a bus barn. Again, the project did not begin this year.

**Retirement Fund** – Almost 19% of the Retirement Budget was not spent resulting in a positive variance of \$140,069. Most line items in the Retirement Fund posted a positive variance. The district appropriates budgets for retirement costs for a certain amount of teacher and other staff terminations. Those amounts were not used in 2013-2014.

**THE DISTRICT AS A WHOLE**

The district wide financial statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies

The change in net position over time is an indicator of whether the District’s financial health is improving or deteriorating. There are other non-financial factors that influence the District’s fiscal health, such as changes in enrollment, changes in the funding of educational costs, changes in the economy, changes in the District’s tax base, etc. The District’s net position were as follows:

**Townsend School District #1  
Condensed Statement of Net Position  
Governmental Activities**

Net Positions	FY14	FY13	Change
Current and other assets    \$	2,139,682	2,096,463	43,219
Capital Assets	5,848,438	5,986,808	-138,370
<b>Total Assets</b>	<b>7,988,120</b>	<b>8,083,271</b>	<b>-95,151</b>
Long-term debt outstanding	3,025,598	3,178,965	-153,367
Other Liabilities	16,301	4,499	11,802
<b>Total Liabilities</b>	<b>3,041,899</b>	<b>3,183,464</b>	<b>-141,565</b>
Net investment capital assets	3,671,409	3,564,639	106,770
Restricted	1,295,302	1,162,563	132,739
Unrestricted	-20,490	172,605	-193,095
<b>Total Net Position</b>	<b>4,946,221</b>	<b>4,899,807</b>	<b>46,414</b>

Total net position increased by almost 1%.

Total assets decreased but liabilities also decreased by a larger margin resulting in an increase in net position by .95%. The decrease in capital assets was due to depreciation of fixed assets.

As of June 30, 2014, the District had invested \$9.2 million in capital assets including land, buildings, and machinery and equipment. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014:

Land	\$274,107
Buildings & Equipment	\$5,574,331
Total	\$5,848,438

Long term debt continues to slightly decrease. At year end, the district had \$3,025,598 in long term debt. Of that amount, \$2,115,000 remains in general obligation bonds and \$910,598 is the amount for capital leases, compensated absences, SID's, and other post employment benefits. The post employment retirement amount is a required entry due to the fact that retirees are allowed to remain on the district's health insurance plan. The district hired Actuaries Northwest to conduct the valuation of this post-employment benefit. The Special Improvement District (SID) is the street paving which will be paid off in the year 2026. The compensated absences liability is that of staff if they were to terminate their position. They are paid all of their accrued vacation leave and one quarter of their accrued sick leave. The District has two capital leases. One is the copier lease and the other is the Meraki Ethernet switch lease. The district continues to reduce the High School bond principal. That amount will be paid off in seven years.

**Analysis of Financial Information (see next two schedules)**

The overall cost of district programs was 1.5% higher than the previous year and revenues came in 1% higher than in 2013. The most significant increases in expenditures were shown in operations and maintenance. End of year funds were spent for general maintenance and items such as track gravel, door locks, and windows. The District also utilized the Quality Schools Facility Grant of \$17,768 in 2014. In November 2013 a long time maintenance employee retired and received a large vacation and sick leave payout. The most significant decreases in expenditures shown were in community services. The Cotter Scholarship fund expended over \$10,000 more in 2013 than in 2014 due to students declining their scholarships in 2012. KDGZ Radio fund was depleted in 2014. And, because there were less dual credit classes in 2014, the UM Interlocal fund was not utilized for stipends and books as it was in the past.

The districts' total revenues for the year ending June 30, 2014 were \$6.7 million which was about 1% (\$63,225) higher than the previous year. District taxpayers paid almost 1.7 million. State entitlements were slightly lower than in fiscal year 2013. Charges for services were lower. Operating grants and contributions stayed at the same level.

**Townsend School District #1**  
**Statement of Activities**  
**Fiscal year 2014**

	<b>FY14</b>	<b>FY13</b>	<b>Change</b>
<b>Revenues</b> \$			
Charges for services	152,369	164,525	(12,155)
Operating grants & contributions	883,989	882,622	1,367
Property taxes for general purposes	1,694,823	1,737,484	(42,661)
Revenue from local governments	70,863	51,007	19,856
Grants & entitlements not restricted	2,851,773	2,944,897	(93,124)
Investment earnings	21,741	16,713	5,028
Miscellaneous		1,475	(1,475)
Indirect Costs	74,493	4,084	71,409
State entitlement (block grants)	312,917	281,854	31,063
State flexibility		31,064	(31,064)
State technology	9,275	4,832	4,443
County retirement	656,522	541,089	115,433
State CTE		4,895	(4,895)
<b>Total Revenues</b>	<b>6,729,765</b>	<b>6,666,540</b>	<b>63,225</b>
<b>Program Expenses</b>			
Instructional – regular	3,309,085	3,316,749	(7,664)
Instructional – special education	273,058	262,701	10,357
Instructional – vocational education	191,998	196,555	(4,557)
Instructional – adult education		11,621	(11,621)
Supporting services – op & maint	651,322	528,091	123,231
Supporting services – general	233,676	233,088	588
Supporting services - media	175,112	170,902	4,210
Administration – general	220,762	238,977	(18,215)
Administration - school	322,269	321,596	673
Administration - business	131,176	129,728	1,448
Student transportation	382,651	368,557	14,094
Extracurricular	179,701	185,626	(5,925)
School food	289,150	277,675	11,475
Community services	58,985	84,094	(25,109)
Debt service expense - interest	95,100	104,900	(9,800)
Unallocated depreciation	161,265	154,743	6,522
Other current charges	8,041		8,041
<b>Total expenses</b>	<b>6,683,351</b>	<b>6,585,603</b>	<b>97,748</b>
<b>Increase (decrease) in net position</b>	<b>46,414</b>	<b>80,937</b>	<b>(34,523)</b>

## **The Future of the District**

Our local economy continues to feel the negative impact of the poor national and state economic economy. The uncertain political future has had an impact on national, state and local government. Housing sales in the district boundaries remain low. The local hospital has regained licensure and we are hopeful that this positive change will provide more jobs in the community. The agriculture community has been impacted by the economy as well. Grain, hay and cattle prices impact the economy and fluctuate year-to-year. Few subdivisions are being reported to the district. Townsend is the seat for Broadwater County operations and it continues to provide a stable source of employment for our community. Information provided to the Townsend Chamber of Commerce indicates increased county population, however predominately in an age range of retirees or older adults without school age children. The Forest Service continues to operate offices in Townsend. There have been a few new businesses in the area as well as continued employment for residents in established area businesses. District student enrollment is up slightly. In the fall of 2013 it was 633 and the fall of 2014 it is 647. Listed below are a number of identified topics which may or will have an impact on the general operations of the Townsend School District.

## **Funding**

**State Government Legislative Action:** Public education funding will be impacted by the 2015 legislative session and is yet to be determined. There will be an increase in basic entitlements and an inflationary rate increase from SB175, however, many funding areas are still unknown. The Governor is proposing Early Edge Montana (preschool education) which could impact the district's budget and facilities. During the 2013 legislative session, the legislature provided some additional funding for schools. However, for Townsend, with a drop in enrollment and limited natural resources, the increase did not keep up with the rising costs. The district is also experiencing reduced federal funding due to declining enrollment and other state agency set asides. Additional funding from the district and county has been required due to changes in TRS and PERS. Projected revenues for the state have also fallen off dramatically due to the poor performance of the economy.

**Federal Funding Decrease** - Federal funding (Title Programs) continue to decline. The decrease has had a negative impact on the district's budget. More general funds are now utilized to fund student services. Teaching positions and paraprofessional positions are funded from the general fund verses Title Programs. In addition, the required budgetary "set asides" for district compliance with No Child Left Behind will also further reduce funding for programs.

**Mill Levies** – Failure of local levies the past two years has impacted district programs. In May 2014, the district ran a general fund levy for \$130,000. The results were 554 votes against and 610 for the levy. The loss of this general fund levy required budget reductions. In May 2013, the district ran the building reserve levy for \$195,000 (\$65,000 per year for three years.) The building reserve levy failed by 95 votes. Staff reductions were made in 2013/14 and 2014/15. Building maintenance/grounds projects were more limited for summer 2014. In May 2012, the district ran a general fund mill levy requesting \$60,000. The general fund levy in 2012 was passed by 99 votes.

**Enrollment** - The enrollment in the Townsend K-12 School District is up slightly from 633 to 647. The elementary K-5 is at 286 students, the middle school 7-8 at 161 students and the high school is at 200 students. The Montana school funding system bases the amount of the general fund budget on student enrollment. Because our district is not experiencing a significant increase in enrollment, the budget is impacted through the state funding formulas.

### **Educational Programs**

**Curriculum & Instruction:** The district has been aligning curriculum and instruction to the state content standards the past few years. Staff members have been establishing curriculum maps for the subject areas and noting the state content standards covered with each unit. Staff members have worked collaboratively to update curriculum and instruction documents and engage in professional development activities that support meeting rigorous standards and assessments. There will be further need for instructional materials in the near future. Many of the district's textbooks are old and need to be updated to be in alignment with the state content standards and assessments. There is also a need for additional staff development for district personnel in the areas of curriculum and instruction.

**Certified and Classified Staff:** Due to budget constraints, the district has reduced staff. The loss of school levies combined with declining enrollment has had a negative impact on the number of employees for the district. This past year, the district cut an administrator as well as certified FTE and classified FTE. The district meets accreditation requirements, however further cuts to instructional personnel would result in accreditation deviations. Also, further classified cuts would severely impact school programs. It is an area of concern for the future.

**After School Program:** The After School Program is in its eighth year of operation. The district was newly funded in the competitive grants round this summer. Other grants have been successfully written to help sustain the program.

**Response to Intervention (RtI):** The district funds the RtI program for the Townsend Schools. District funding continues to be utilized to improve instructional practices using researched based methods. The district provides funding for RtI to address student learning needs to increase student achievement.

### **Energy Projects & Facilities Improvements**

**Energy Projects: Wind for Montana Schools** – The district's windmill, which was funded through donations and a grant from Northwestern Energy, has not been repaired yet. The company servicing the project went bankrupt and the parts for the repairs held up in bankruptcy. We have been working with two different contacts to try and get it repaired. The football field lights, concessions stand, and the bus heaters were put on this circuit. The energy savings has not been realized due to this unforeseen problem. For the past two school years, the district's electrical bill was not reduced by use of the windmill. New more energy efficient football lights were installed in August 2013. Funding for the project came from the Townsend Booster Club, who worked with Tom Helm, to secure the grant to fund the football field lights.

**Energy Efficiency:** The district continues to seek ways to conserve energy. Two separate energy audits have been completed. Lighting in the district continues to be addressed in order to utilize more energy efficient bulbs. Motion sensors have been installed. New LED lighting has been installed to replace the existing security lighting on district buildings. Classroom projects such as recycling are still a part of the district's activities in this area.

**Biomass Heating Project:** The district continues to utilize the Biomass Boiler. The system is working a lot better due to the use of a higher grade of pellets. A few of the engineering problems have been worked out of the system with a few more left to resolve. It is projected to be on target for energy savings for the district for the long-term. The district submitted (and was awarded) a Quality Schools Planning Grant in the fall of 2013 and has submitted a Quality Schools Grant to improve indoor air quality of the K-8 building and energy efficiency.

**Activity Buses:** It is the 3<sup>rd</sup> year of utilizing a used coach activities bus. The district is in severe need of an additional bus. One older bus was involved in an accident that made it unusable for students. Activity transportation is an area that will continue to have needs with rising fuel costs and aging buses that require repairs and maintenance.

**Maintenance Issues:** The district engaged in strategic planning for the past two years. One of the key areas addressed in the strategic plan was facilities maintenance and improvements. Due to the age of the elementary and middle school building, there are maintenance and safety needs that the district needs to address. Summer maintenance projects include numerous repairs to the old facilities. The board of trustees, administration and staff identified areas for improvement in order to maintain building integrity and safety. The district remains committed to maintenance of the plant. The high school building is now eleven years old and the athletic facilities are aging as well. The district had a keyless entry installed on all main entrances to the school and added a few more keyless entries this past summer. During the summer of 2013, the roof was leaking at the end of the basketball season and upon assessment it was determined that we needed to install a new 60 mill T.P.O membrane roofing system which would have a 15 year manufacturer's warranty. The cost of the membrane/labor the project was \$28,684. In addition, fiberglass covers were purchased to put caps on old wooden bleachers. The materials cost for the bleachers was about \$13,750. This spring, the library roof (the library is now 20 years old), was leaking. It was determined that it needed a new membrane. A new membrane was installed this summer. The district paid ½ of a new membrane on the school and community library and the county paid the other ½ of new membrane/roof repair.

The district is updating our strategic plan this fall and we will examine and prioritize facility needs for the future.

**Bus Parking:** In June 2013, the district had the old house and sheds removed, new fencing and gravel installed, in order to provide secured parking for the district's buses. The project cost a little over \$29,500.

**Parking Lots:** All of the district's parking lots were resealed and striped this past summer.

**Storage:** The district continues to struggle with lack of storage space on our campus. The district had planned to begin a storage facility to be located on the rental property located across the street from the high school. Funding for the project was going to come from the rent money paid for house located on the property. The project was postponed due to funding and the economy. In the fall of 2012 the district rented a storage space (short-term) and hopes to remove an old house which was declared as surplus property list in 2001 as well as expand bus parking. The district is contemplating building a storage unit again, however due to uncertain state and federal funding, the decision to build a storage unit is uncertain. Since 2012, the district has leased a storage unit for \$200/month. The district voted to do so for again for the 2014-2015 school year.

**Technology:** In 2005 the voters approved an annual \$50,000 technology depreciation levy. The technology funding has been used for technology equipment for the district. A technology committee comprised of staff, administration and trustee representation has provided input regarding utilization of the technology funds. During the district last two years of strategic planning, technology was identified as a priority for the district. It continues to remain a priority.

**Security:** The district utilized funds to replace some security cameras on the district as well as installation of a keyless entry system for main entrances to the building. This past summer a few more cameras were added to the system. It is hoped that each year a few more cameras can be added and/or replaced.

**Strategic Planning:** The district facilitated a session on September 22<sup>nd</sup>, 2014 and is hosting another one on November 17<sup>th</sup>. The district's vision, mission, core purpose/values and goals/objectives are all being examined and updated. The district adopted three strategic indicatives during the 2011-2012 school year through a strategic planning effort. The initiatives are as follows: Facilities Improvement and Planning, Technology Integration, and Common Core Standards Implementation. District funding as well utilization of state and federal funding sources have been used to enable the district to meet goals and objectives that have been set according to established priorities.

**Southwest Montana School Services (SWMSS) and Regional Education Service Agency 4 (RESA4U- a Multi-District Cooperative):** In the spring of 2012, the district joined a multi-district cooperative. The district continues to work with other area districts to optimize resources in the following areas: bulk purchasing, professional development, and technology. The organization has over 50 districts in the organization receives state grants for professional development. This past year the district joined the Montana Educational Cooperative (MEC) – a curriculum consortium. Working with other area schools to update curriculum is a more cost-effective way to keep curriculum current.

### **Contact for Additional Information**

If you have questions about this report or need additional information, contact the Superintendent or Clerk of Townsend Schools at Townsend School District #1, 201 N. Spruce, Townsend, MT 59644 (406) 441-3454.

***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  
Townsend Public Schools  
Broadwater County  
Townsend, 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 Townsend Public Schools, Broadwater 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 listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the Townsend Public Schools, Broadwater 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 11, 38 through 41, and 42 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 April 1, 2015, on our consideration of the Townsend Public Schools, Broadwater 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 Townsend Public Schools, Broadwater County, Montana's internal control over financial reporting and compliance.

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

April 1, 2015

**Townsend Public Schools, Broadwater County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	1,874,226
Taxes and assessments receivable, net		182,810
Due from other governments		66,897
Inventories		15,749
Total current assets	\$	2,139,682
Noncurrent assets		
Capital assets - land	\$	274,107
Capital assets - depreciable, net		5,574,331
Total noncurrent assets	\$	5,848,438
Total assets	\$	7,988,120
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$	16,301
Current portion of long-term liabilities		7,200
Current portion of long-term capital liabilities		289,144
Current portion of compensated absences payable		66,592
Total current liabilities	\$	379,237
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	400,312
Noncurrent portion of long-term capital liabilities		1,887,885
Noncurrent portion of compensated absences		374,465
Total noncurrent liabilities	\$	2,662,662
Total liabilities	\$	3,041,899
<b>NET POSITION</b>		
Net investment in capital assets	\$	3,671,409
Restricted for capital projects		141,734
Restricted for debt service		111,085
Restricted for special projects		1,042,483
Unrestricted		(20,490)
Total net position	\$	4,946,221

See accompanying Notes to the Financial Statements



**Townsend Public Schools, Broadwater County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>	<b>Transportation</b>	<b>Retirement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 712,700	\$ 261,808	\$ 297,083	\$ 42,939	\$ 559,696	\$ 1,874,226
Taxes and assessments receivable, net	121,258	17,378	-	32,909	11,265	182,810
Due from other governments	-	-	-	-	66,897	66,897
Inventories	-	-	-	-	15,749	15,749
Total assets	\$ 833,958	\$ 279,186	\$ 297,083	\$ 75,848	\$ 653,607	\$ 2,139,682
Current liabilities:						
Accounts payable	\$ 5,879	\$ -	\$ -	\$ -	\$ 10,422	\$ 16,301
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	\$ 121,258	\$ 17,378	\$ -	\$ 32,909	\$ 11,265	\$ 182,810
<b>FUND BALANCES</b>						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 15,749	\$ 15,749
Restricted	-	261,808	297,083	42,939	616,171	1,218,001
Assigned	18,394	-	-	-	-	18,394
Unassigned fund balance	688,427	-	-	-	-	688,427
Total fund balance	\$ 706,821	\$ 261,808	\$ 297,083	\$ 42,939	\$ 631,920	\$ 1,940,571

See accompanying Notes to the Financial Statements

**Townsend Public Schools, Broadwater 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>	\$ 1,940,571
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,848,438
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.	182,810
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,025,598)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>4,946,221</u></u></b>

**Townsend Public Schools, Broadwater 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>Transportation</u>	<u>Retirement</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local revenue	\$ 1,156,745	\$ 177,320	\$ 3,323	\$ 275,538	\$ 379,763	\$ 1,992,689
County revenue	-	63,794	656,522	-	-	720,316
State revenue	3,228,272	72,695	-	41,383	158,530	3,500,880
Federal revenue	-	-	-	-	463,638	463,638
Total revenues	<u>\$ 4,385,017</u>	<u>\$ 313,809</u>	<u>\$ 659,845</u>	<u>\$ 316,921</u>	<u>\$ 1,001,931</u>	<u>\$ 6,677,523</u>
<b>EXPENDITURES</b>						
Instructional - regular	\$ 2,364,144	\$ -	\$ 433,859	\$ -	\$ 362,912	\$ 3,160,915
Instructional - special education	233,046	-	35,783	-	4,229	273,058
Instructional - vocational education	191,998	-	-	-	-	191,998
Supporting services - operations & maintenance	575,779	-	28,125	-	43,231	647,135
Supporting services - general	114,709	-	18,039	-	100,928	233,676
Supporting services - educational media services	103,082	-	16,208	-	48,026	167,316
Administration - general	188,300	15,959	15,326	-	1,177	220,762
Administration - school	285,141	-	36,748	-	380	322,269
Administration - business	117,336	-	11,724	-	2,116	131,176
Student transportation	56,639	285,478	2,566	-	2,092	346,775
Extracurricular	161,093	-	18,608	-	-	179,701
School food	19,003	-	14,863	-	253,452	287,318
Debt service expense - principal	24,244	-	-	255,000	-	279,244
Debt service expense - interest	-	-	-	95,100	-	95,100
Capital outlay	57,970	-	-	-	-	57,970
Total expenditures	<u>\$ 4,492,484</u>	<u>\$ 301,437</u>	<u>\$ 631,849</u>	<u>\$ 358,141</u>	<u>\$ 877,277</u>	<u>\$ 6,661,188</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (107,467)</u>	<u>\$ 12,372</u>	<u>\$ 27,996</u>	<u>\$ (41,220)</u>	<u>\$ 124,654</u>	<u>\$ 16,335</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 16,300	\$ 16,300
Transfers out	(16,300)	-	-	-	-	(16,300)
Total other financing sources (uses)	<u>\$ 17,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,300</u>	<u>\$ 34,104</u>
Net Change in Fund Balance	<u>\$ (89,663)</u>	<u>\$ 12,372</u>	<u>\$ 27,996</u>	<u>\$ (41,220)</u>	<u>\$ 140,954</u>	<u>\$ 50,439</u>
Fund balances - beginning	\$ 796,484	\$ 249,436	\$ 269,087	\$ 84,159	\$ 490,966	\$ 1,890,132
Fund balance - ending	<u>\$ 706,821</u>	<u>\$ 261,808</u>	<u>\$ 297,083</u>	<u>\$ 42,939</u>	<u>\$ 631,920</u>	<u>\$ 1,940,571</u>

**Townsend Public Schools, Broadwater 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>	\$ 50,439
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	57,970
- Depreciation expense	(264,550)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Loss on the sale of capital assets	(3,054)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Donated capital assets	71,264
- Long-term receivables (deferred revenue)	(19,022)
The change in compensated absences is shown as an expense in the Statement of Activities	
	(9,292)
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	279,244
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:	
- Proceeds from the sale of long-term debt	(34,104)
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	(89,681)
Reduction of Retiree Liability	
- Payment for Retiree Health Insurance	7,200
<b>Change in net position - Statement of Activities</b>	<b>\$ <u><u>46,414</u></u></b>

**Townsend Public Schools, Broadwater County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 510,426	\$ 264,839
Total assets	<u>\$ 510,426</u>	<u>\$ 264,839</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 263,302
Accounts payable	-	1,537
Total liabilities	<u>\$ -</u>	<u>\$ 264,839</u>
<b>NET POSITION</b>		
Assets held in trust	<u>\$ 510,426</u>	

See accompanying Notes to the Financial Statements

**Townsend Public Schools, Broadwater County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Contributions from private sources	\$	100,000
Student activities		130,409
Total contributions	\$	<u>230,409</u>
Investment earnings:		
Interest and change in fair value of investments	\$	3,938
Total investment earnings		3,938
Net investment earnings	\$	<u>3,938</u>
Total additions	\$	<u>234,347</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	132,494
Student scholarships		3,875
Total deductions	\$	<u>136,369</u>
Change in net position	\$	<u>97,978</u>
Net Position - Beginning of the year	\$	412,448
Net Position - End of the year	\$	<u><u>510,426</u></u>

See accompanying Notes to the Financial Statements

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**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 District 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 District.

*Primary Government*

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

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**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, the 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.

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**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.

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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.

*Transportation Fund* – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

*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 and Social Security. This is funded by a county-wide levy for retirement.

*Debt Service Fund* – Authorized by Section 90-3-438, MCA, for the purpose of paying interest and principal on outstanding bonds.

***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:

*Private-purpose Trust Funds* – To account for gifts, legacies, and devices received by the Townsend Public Schools when the trust agreement specifies that funds may be expended for non-district operating purposes, primarily student scholarships.

*Student Extracurricular Activities Fund* – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to

TOWNSEND PUBLIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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.

*Claims and Payroll Clearing Funds* – These funds are agency funds used for the clearing of warrants.

**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, FNMA bonds, and the State Short-Term Investment Pool (STIP). Interest earned on pooled investments is distributed to each contributing District and fund on a pro rate basis. In addition to the pooled investments, the County maintains two certificates of deposit for a total amount of \$200,000 specifically for the District. Interest on these certificates is distributed to the District.

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 Broadwater County deposits and investments is available from Broadwater County Treasurer’s office, 515 Broadway Street, Townsend, Montana 5944. Fair value approximates carrying value for investments as of June 30, 2014. The Broadwater County external investment pool is not rated.

**Deposits**

The District’s deposit balance at year end was \$82,507 and the bank balance was \$83,961. The District’s deposits at year-end were fully insured by FDIC.

**NOTE 4. 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.

TOWNSEND PUBIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Property tax levies are set in August, 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**

Inventories are valued at cost using the first in first out method.

**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	20 – 50 years
Improvements	20 – 50 years
Equipment	5 – 20 years

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.

TOWNSEND PUBIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

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

Governmental activities:

	Balance <u>July 1, 2013</u>	Additions/ <u>Donated Assets</u>	Deletions/ <u>Transfers</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 274,107	\$ -	\$ -	\$ 274,107
Construction in progress	<u>23,568</u>	<u>-</u>	<u>(23,568)</u>	<u>-</u>
Total capital assets not being depreciated	\$ <u>297,675</u>	\$ <u>-</u>	\$ <u>(23,568)</u>	\$ <u>274,107</u>
Other capital assets:				
Buildings	\$ 7,804,170	\$ 5,116	\$ 16,627	\$ 7,825,913
Machinery and equipment	<u>1,183,527</u>	<u>124,118</u>	<u>-</u>	<u>1,307,645</u>
Total other capital assets at historical cost	\$ 8,987,697	\$ 129,234	\$ 16,627	\$ 9,133,558
Less: accumulated depreciation	\$ <u>(3,298,564)</u>	\$ <u>(264,550)</u>	\$ <u>3,887</u>	\$ <u>(3,559,227)</u>
Total	\$ <u><u>5,986,808</u></u>	\$ <u><u>(135,316)</u></u>	\$ <u><u>(3,054)</u></u>	\$ <u><u>5,848,438</u></u>

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

Governmental Activities:	
Instructional – regular	\$ 53,343
Supporting services – operations and maintenance	4,187
Supporting services – staff	7,796
Student transportation	35,876
Extracurricular	251
School food	1,832
Unallocated	<u>161,265</u>
Total governmental activities depreciation expense	\$ <u><u>264,550</u></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.

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

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	\$ 2,370,000	\$ -	\$ (255,000)	\$ 2,115,000	\$ 265,000
Compensated absences	431,765	9,292		441,057	66,592
Capital leases	52,169	34,104	(24,244)	62,029	24,144
Retiree Liability	14,400	-	(7,200)	7,200	7,200
Other post-employment benefits*	310,631	89,681	-	400,312	-
Total	<u>\$ 3,178,965</u>	<u>\$ 133,077</u>	<u>\$ (286,444)</u>	<u>\$ 3,025,598</u>	<u>\$ 362,936</u>

\*See Note 8

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:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
School Building – Series 2007 Refunding Bond	02/22/2007	4.00%	14 yrs	07/1/2021	\$ 2,930,000	Varies	<u>\$ 2,115,000</u>

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 265,000	\$ 349,600
2016	275,000	349,000
2017	290,000	353,000
2018	305,000	356,400
2019	315,000	354,200
2020	325,000	351,600
2021	340,000	353,600
Total	<u>\$ 2,115,000</u>	<u>\$ 2,467,400</u>

TOWNSEND PUBIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**Capital Leases**

The District has entered into a several leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Capitalized Original Cost</u>	<u>Less: Accumulated Amortization</u>	<u>Remaining Payments as of June 30, 2014</u>
Copier	08/01/2012	1.00%	\$ 63,880	\$ 24,487	\$ 39,393
Meraki Ethernet	03/01/2014	5.59%	34,104	11,468	22,636
Total			<u>\$ 97,984</u>	<u>\$ 35,955</u>	<u>\$ 62,029</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 24,144	\$ 444
2016	23,828	316
2017	12,638	138
2018	1,419	11
Total	<u>\$ 62,029</u>	<u>\$ 909</u>

**Compensated Absences**

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.

Fifteen (15) days annually at full salary will be provided each teacher for personal illness or disability, quarantine, communicable disease, maternity, adoption, and personal medical appointments for the individual teacher, immediate family or household members. Unused days of leave will be accumulated to 120 days. Each teacher shall receive 15 days annually regardless of the number of days accumulated. However, at the conclusion of the school year each teacher may carry over a maximum of 120 days and upon termination, the district would pay out accumulated days up to 120 days @ 25%, any leave over the above 120 day limit shall be forfeited.

The liability associated with governmental fund-type employees is reported in the governmental-type activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities and respective fund.

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**Special Retirement Benefits**

The District offers early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The District recorded a liability of \$14,400, for retirement incentives due as of June 30, 2013. Two options are offered and described below:

Under the provisions of the first option, the teacher must have between twenty-five to thirty-four years of creditable service. The retirement incentive is based on the percentage of the retiree's final completed contract salary. The payment begins with 50% of the salary for a retiree with twenty-five years of service and decreases by increments of 5% until thirty-five years of service where no incentive is offered. The payments begin no sooner than 13 months after the retirement and can be paid in a single lump-sum payment or spread over two or three years. No teachers chose this option in 2014.

A second option is offered to teachers who are ineligible for the first option and have at least twenty or more years of service with the District. Under this option, the District will pay \$100 per month of the District medical insurance premium for the retiree for five years or until the retiree reaches the age of 65, whichever comes first. Two retiring teachers chose this option in fiscal year ending June 30, 2013, resulting in the \$7,200 liability to be paid in fiscal year 2015.

**NOTE 7. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2014, was as follows:

**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>\$ 16,300</u>

**NOTE 8. 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.

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

*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)	\$	917,629
Actuarial value of plan assets		-
		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	917,629
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	3,165,011
UAAL as a percentage of covered payroll		26%

*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)	\$	89,681
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	89,681
Contributions made		-
		-
Increase in net OPEB obligation	\$	89,681
Net OPEB obligation - beginning of year		310,631
Net OPEB obligation - end of year	\$	400,312

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

Actuarial cost method	Unit Credit Cost Method
Discount rate	4.25%
Average salary increase	2.50%

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

Health care cost rate trend

<u>Year</u>	<u>% Increase</u>
2014	9.50%
2015	9.00%
2016	8.50%
2017	8.00%
2018	7.50%
2019	7.00%
2020	6.50%
2021	6.00%
2022	5.50%
2023 and after	5.00%

**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.

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.

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

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, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 30,943	\$ 222,175
2013	\$ 28,174	\$ 265,565
2014	\$ 38,060	\$ 249,384

**NOTE 10. 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 resolution.

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

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.

**Nonspendable Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
School Food	\$ <u>15,749</u>	Inventories

TOWNSEND PUBLIC SCHOOLS  
 BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 261,808	Student transportation
Retirement	297,083	Employer retirement benefits
Debt Service	42,939	Debt service
All other aggregate:		
	112,994	Instructional – regular
	6,724	School food
	18,393	Operations & Maintenance
	114,528	Educational media services
	191,434	Third party grantor requirements
	136,861	Capital projects
	<u>35,237</u>	Debt service
Total	<u>\$ 1,218,001</u>	

**Other Significant Commitments**

<u>Fund</u>	<u>Amount</u>	
General	\$ 18,394	Encumbrances

**NOTE 11. 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.

**Broadwater Community Library**

The County Commissioner of Broadwater County and the Board of Trustees of Townsend Public Schools entered into an Interlocal agreement to support the functions of the joint school-public library within Broadwater County and agreed to provide the services of the school-public library to all residents of Broadwater County. The joint school-public library is known as the Broadwater Community Library. The financial activity is accounted for as an Interlocal Agreement Trust Fund (an expendable trust) by the District.

**Prickly Pear Special Service Cooperative**

The District is a member of the Prickly Pear Educational Cooperative. The Cooperative is comprised of twelve member districts, each of which contributed to the operating costs of the Cooperative based on the annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. A Joint Advisory Board exists to set Cooperative policy, review its performance, review its financial management, and set and approve the fiscal budget of the Cooperative. The Advisory Board consists of the Superintendent from each of the participating Public Schools. The District's contribution for fiscal year 2014 was \$7,689.

TOWNSEND PUBIC SCHOOLS  
BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**School/City Tennis Courts**

As hereinafter provided, the City Council and Mayor of Townsend and the Board of Trustees of Townsend Schools agree to support the functions of the joint school-city tennis court complex within the city limits of Townsend and agree to provide the services of the school-city tennis courts to all residents of Broadwater County. The joint school-city tennis courts shall be known as the Tennis Courts located at McCarthy Park.

**NOTE 12. 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**

**Townsend Public Schools, Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</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	\$ 1,158,238	\$ 1,158,238	\$ 1,153,867	\$ (4,371)
County revenue	-	-	-	-
State revenue	3,197,108	3,197,108	3,197,209	101
Amounts available for appropriation	<u>\$ 4,355,346</u>	<u>\$ 4,355,346</u>	<u>\$ 4,351,076</u>	<u>\$ (4,270)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 2,565,252	\$ 2,565,252	\$ 2,330,198	\$ 235,054
Instructional - special education	234,046	234,046	233,046	1,000
Instructional - vocational education	-	-	191,998	(191,998)
Supporting services - operations & maintenance	526,992	526,992	578,396	(51,404)
Supporting services - general	115,235	115,235	114,709	526
Supporting services - educational media services	101,846	101,846	105,288	(3,442)
Administration - general	210,688	210,688	187,265	23,423
Administration - school	309,527	309,527	284,717	24,810
Administration - business	116,314	116,314	117,336	(1,022)
Student transportation	62,121	62,121	56,639	5,482
Extracurricular	154,249	154,249	166,603	(12,354)
School food	27,043	27,043	19,003	8,040
Community services	-	-	-	-
Debt service expense - principal	12,700	12,700	24,244	(11,544)
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	44,220	(44,220)
Total charges to appropriations	<u>\$ 4,436,013</u>	<u>\$ 4,436,013</u>	<u>\$ 4,453,662</u>	<u>\$ (17,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ -	\$ -	\$ 34,104	\$ 34,104
Transfers out	-	-	(16,300)	(16,300)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,804</u>	<u>\$ 17,804</u>
Net change in fund balance			<u>\$ (84,782)</u>	
Fund balance - beginning of the year			<u>\$ 528,304</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 443,522</u></u>	

**Townsend Public Schools, Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Transportation</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	\$ 176,753	\$ 176,753	\$ 177,320	\$ 567
County revenue	71,214	71,214	63,794	(7,420)
State revenue	80,115	80,115	72,695	(7,420)
Amounts available for appropriation	<u>\$ 328,082</u>	<u>\$ 328,082</u>	<u>\$ 313,809</u>	<u>\$ (14,273)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	15,999	15,999	15,959	40
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	305,266	305,266	285,478	19,788
Extracurricular	-	-	-	-
School food	-	-	-	-
Community services	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	160,000	160,000	-	160,000
Total charges to appropriations	<u>\$ 481,265</u>	<u>\$ 481,265</u>	<u>\$ 301,437</u>	<u>\$ 179,828</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 12,372</u>	
Fund balance - beginning of the year			<u>\$ 249,436</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 261,808</u></u>	

**Townsend Public Schools, Broadwater 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	\$ 693	\$ 693	\$ 3,323	\$ 2,630
County revenue	656,522	656,522	656,522	-
State revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 657,215</u>	<u>\$ 657,215</u>	<u>\$ 659,845</u>	<u>\$ 2,630</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 522,370	\$ 522,370	\$ 433,859	\$ 88,511
Instructional - special education	30,778	30,778	35,783	(5,005)
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	25,533	25,533	28,125	(2,592)
Supporting services - general	17,469	17,469	18,039	(570)
Supporting services - educational media services	19,027	19,027	16,208	2,819
Administration - general	60,861	60,861	15,326	45,535
Administration - school	36,485	36,485	36,748	(263)
Administration - business	13,864	13,864	11,724	2,140
Student transportation	4,748	4,748	2,566	2,182
Extracurricular	26,972	26,972	18,608	8,364
School food	13,689	13,689	14,863	(1,174)
Community services	122	122	-	122
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 771,918</u>	<u>\$ 771,918</u>	<u>\$ 631,849</u>	<u>\$ 140,069</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 27,996</u>	
Fund balance - beginning of the year			<u>\$ 269,087</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 297,083</u></u>	

**Townsend Public Schools, Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>
<b>Sources/Inflows of resources</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,351,076	\$ 313,809	\$ 659,845
Combined funds (GASBS 54) revenues	<u>33,941</u>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 4,385,017</u>	<u>\$ 313,809</u>	<u>\$ 659,845</u>
<b>Uses/Outflows of resources</b>			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ <u>4,453,662</u>	\$ <u>301,437</u>	\$ <u>631,849</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,492,484</u>	<u>\$ 301,437</u>	<u>\$ 631,849</u>

Townsend Public Schools, Broadwater County, Montana  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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	\$ -	\$ 677,922	\$ 677,922	0%	\$ 2,825,709	24.0%
July 1, 2012	\$ -	\$ 820,854	\$ 820,854	0%	\$ 3,165,011	25.9%

Changes in plan provisions

Effective July 1, 2011

Group changed carrier and renewing plans

Comprehensive Lifetime Maximum has been removed.

Preexisting Condition Waiting Period has been waived.

The definition of eligible dependent has changed.

Fully-covered In-Network Preventative Benefits have been implemented.

## **SUPPLEMENTAL INFORMATION**







Townsend Public Schools  
Broadwater County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Revolving - Elementary	\$ 514	\$ 20	\$ 455	\$ -	\$ 79
Candy Club - Elementary	9,088	11,301	10,352	434	10,471
Band - Elementary	38	-	-	-	38
Student Council - Middle School	2,865	2,646	3,125	-	2,386
Student Council - Elementary	18,452	8,232	12,566	(434)	13,684
Pencil Money	386	301	233	-	454
<b>TOTAL ELEMENTARY</b>	<b>\$ 31,343</b>	<b>\$ 22,500</b>	<b>\$ 26,731</b>	<b>\$ -</b>	<b>\$ 27,112</b>
General - High School	\$ 303	\$ 50	\$ 145	\$ -	\$ 208
Concessions - High School	1,279	16,342	6,292	(9,271)	2,058
Renaissance - High School	590	-	80	-	510
Yourth Council	544	135	591	997	1,085
Athletics - High School	16,602	52,996	62,407	127	7,318
Class of 2013 - High School	1	1,000	111	-	890
Class of 2014 - High School	2,175	256	2,430	-	1
Class of 2015 - High School	2,088	1,767	2,126	998	2,727
Class of 2016 - High School	1,108	-	-	-	1,108
National Honor Society	6,260	1,895	5,525	1,416	4,046
FCCLA	1,280	-	634	372	1,018
WOW	7,574	-	1,439	1,766	7,901
BPOA - High School	201	2,140	2,343	368	366
Student Council - High School	861	2,273	1,234	-	1,900
VICA - High School	948	2,343	1,969	530	1,852
Green Club	1,980	-	-	-	1,980
Annual - High School	544	5,198	4,132	-	1,610
Drama - High School	1,214	4,089	4,189	-	1,114
Close Up - High School	422	7,631	505	1,385	8,933
Spanish - High School	1,224	291	221	787	2,081
Art-Woods-Leather - HS	2,121	3,241	2,301	-	3,061
Technical Education - HS	1,371	1,157	2,107	-	421
Speech - High School	1,339	-	-	-	1,339
B Club	120	2,800	2,128	-	792
Cheerleading - High School	957	766	1,238	525	1,010
Music/Band - High School	143	39	117	-	65
Change Fund - HS	-	1,500	1,500	-	-
<b>TOTAL HIGH SCHOOL</b>	<b>\$ 53,249</b>	<b>\$ 107,909</b>	<b>\$ 105,764</b>	<b>\$ -</b>	<b>\$ 55,394</b>
<b>Total</b>	<b>\$ 84,592</b>	<b>\$ 130,409</b>	<b>\$ 132,495</b>	<b>\$ -</b>	<b>\$ 82,506</b>

***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  
Townsend Public Schools  
Broadwater County  
Townsend, 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 Townsend Public Schools, Broadwater County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Townsend Public Schools' basic financial statements and have issued our report thereon dated April 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Townsend Public Schools, Broadwater 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 Townsend Public Schools, Broadwater County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Townsend Public Schools' internal control over financial reporting.

*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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Townsend Public Schools' 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.

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

April 1, 2015