

**TURNER PUBLIC SCHOOLS
SCHOOL DISTRICT 43
BLAINE COUNTY
TURNER, MONTANA**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

OPI Entity Numbers 03-0044 and 03-0045

TURNER PUBLIC SCHOOLS
 BLAINE COUNTY
 TURNER, MONTANA
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TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
JUNE 30, 2014

BOARD OF TRUSTEES

Johannas Brown.....	Chairperson
Kevin Van Valkenburg.....	Vice Chairperson
Shawn Beck.....	Trustee
Linda Hutton.....	Trustee
Stephen Humphreys.....	Trustee
Cindy Cowan.....	District Clerk

OFFICIALS

Rita Chvilicek.....	District Superintendent
Terry Brockie.....	County Superintendent
Kelsie Harwood.....	County Attorney
Tori MacLean.....	County Treasurer



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Malta, Montana 59538
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Independent Auditor's Report

Board of Trustees
Turner Public Schools
Turner, 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 Turner Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Turner Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Turner Public Schools' 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 Turner Public Schools, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 5-9 and 29-31 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 Turner Public Schools' basic financial statements. The extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the extracurricular fund – statement of revenues collected and expenditures paid – all fund accounts and the schedule of student enrollment is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015 on our consideration of Turner Public Schools' 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 Turner Public Schools' internal control over financial reporting and compliance.



CHMS, P.C.
Certified Public Accountants
Malta, Montana
September 15, 2015

**Turner School District #43
Blaine County
Turner, Montana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR JULY 1, 2013-JUNE 30, 2014**

The Superintendent and Business Manager/Clerk of the Turner School district have provided this MD&A to give the reader of these statements an overview of the financial position on activities of the school district for the year covered by this audit report.

FINANCIAL HIGHLIGHTS

The Turner School district is composed of an Elementary District and a High School District. The number of students enrolled in the district determines the budget amounts. The Elementary enrollment for 2014 increased by 5, with an enrollment of 56. The High School enrollment increased by 2, with an enrollment of 15. With enrollment numbers increasing by 7 overall, the Elementary budget increased by \$28,576.96 and the High School saw a small increase of \$8,254.91. The increase of Elementary students is related to young people returning to the community due to agriculture activity and we project our enrollment to increase approximately 2% over the next 4 years. Elementary and High School students achieved Adequate Yearly Progress on the State Mandated Criterion Referenced Test.

USING THIS FINANCIAL REPORT

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

REPORTING THE SCHOOL DISTRICTS AS A WHOLE

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

- A. The **Statement of Net Position** (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The **Statement of Activities**, (page 11) shows the amounts of program-specific and general school district revenues used to support the school districts various functions.

The statement of Net Position and the Statement of Activities divide the activities of the school district into two categories:

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

Component units—The Chinook district is the fiscal host for the Bear Paw Special Education Cooperative. The Cooperative is operated under a separate management board that is fiscally responsible for the operations of the cooperative.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

The fund statements report balances and activities of the most significant, or "major" fund 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 separated column.

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. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Turner School has a transportation fund for the purpose of transporting students to school. Turner School contracts with private individuals who supply the buses and drivers. Turner Schools also have a Retirement Fund for the purpose of allocating the district portion of the retirement funds. Turner Schools has Compensated Absence Funds for the purpose of paying non certified staff termination pay for sick leave and vacation leave balances.

REPORTING THE DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITIES

The district is the trustee or fiduciary for the Flex Plan and the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 15) 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.

BUDGET-TO-ACTUAL COMPARISONS

The budgetary comparison schedules on pages 29-30 show actual expenditures compared to the original and final budget for the general fund and elementary transportation fund. There were no budget changes in the general fund.

THE DISTRICT AS A WHOLE

One important question asked about the District's finances, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private sector companies.

The District's expenditures overall were 3.8% higher for the 2013-14 year compared to 2012-13. Even though there were decreases in salaries of 1%, food costs maintained, yet general maintenance repairs higher due to repairs and replacement items.

Maintenance items addressed this year included:

- Replaced the walk in freezer
- Changed flooring in Elementary classroom from carpet to vinyl for health reasons.
- Electrical work to begin heating project to eliminate the boiler system and replace with electric.
- Computer purchases to maintain current laptops and computers in classrooms

The District began its process of removing the coal fired boiler and replace with an electric heat system, along with an air exchange system. An election was held May 6, 2014 which approved a Building Reserve Fund for both Elementary and High School Districts, which will fund an InterCap Loan to fund the \$412,000 project beginning in 2015. This project will have a long term effect on the district.

Instructional salaries were slightly lower due to a replacement of certified staff and classified staff at beginning pay scales. The district saw a small increase in enrollment which contributed to the District's overall revenues being 4% higher. The district is operating at a maximum budget in the High School and has approximately 20 mill allowance in the Elementary. The trustees did not feel there was a need at this time to vote the additional mills, especially since a levy was held to support the Building Reserve 5 year levies.

The change in net assets over time is one 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 State's funding of educational costs, changes in the economy, changes in the District's tax base, etc. The present school enrollment is 71 students and has increased from last years' enrollment. The high school increased by 2, and the elementary increased by 5. The K-12 enrollment is expected to increase by 2 for the 2015 year and by 2% thru 2019.

Turner School District #43
Condensed Statement of Net Position
Governmental Activities

	2013-14	2012-13	Difference	Percent Change
Current and other assets	\$ 365,286	\$ 390,160	\$ (24,874)	-6.4%
Capital Assets	716,448	660,923	55,525	8.4%
Total Assets	<u>1,081,734</u>	<u>1,051,083</u>	<u>30,651</u>	2.9%
Current Liabilities	15,194	17,020	(1,826)	-10.7%
Long-term Liabilities	504,056	405,979	98,077	24.2%
Total Liabilities	<u>519,250</u>	<u>422,999</u>	<u>96,251</u>	22.8%
Net Position				
Net Investment in capital assets	716,448	660,923	55,525	8.4%
Restricted	207,135	228,824	(21,689)	-9.5%
Unrestricted	(361,099)	(261,663)	(99,436)	-38.0%
Total Net Position	<u>\$ 562,484</u>	<u>\$ 628,084</u>	<u>\$ (65,600)</u>	-10.4%

District-Wide Statement of Activities
For the year ended June 30, 2014 and 2013

	2013-14	2012-13	Difference	Percent Change
PROGRAM REVENUE				
Charges for Services	\$ 14,836	\$ 13,673	\$ 1,163	8.5%
Operating Grants	194,934	468,274	(273,340)	-58.4%
Total Program Revenues	<u>209,770</u>	<u>481,947</u>	<u>(272,177)</u>	-56.5%
GENERAL REVENUES				
Property Taxes	408,804	395,208	13,596	3.4%
Federal Sources	93,515	74,591	18,924	25.4%
State Sources	479,980	160,713	319,267	198.7%
County Sources	96,417	100,045	(3,628)	-3.6%
Other Sources	1,046	25,857	(24,811)	-96.0%
Investment Earnings	1,217	1,793	(576)	-32.1%
Penalties and Interest	829	1,068	(239)	-22.4%
Total General Revenues	<u>1,081,808</u>	<u>759,275</u>	<u>322,533</u>	42.5%
TOTAL REVENUES	1,291,578	1,241,222	50,356	4.1%
EXPENSES				
Instruction:				
Regular Programs	649,561	674,683	(25,122)	-3.7%
Special Programs	27,522	27,173	349	1.3%
Vocational Programs	1,428	1,631	(203)	-12.4%
Traffic Education	1,234	2,026	(792)	-39.1%
Operation and Maintenance	145,968	161,988	(16,020)	-9.9%
School Food	59,608	60,883	(1,275)	-2.1%
Extracurricular	46,068	43,177	2,891	6.7%
Student Transportation	152,878	164,203	(11,325)	-6.9%
Other	31,472	50,020	(18,548)	-37.1%
Administration	113,568	122,005	(8,437)	-6.9%
Retirement	102,448	79,146	23,302	29.4%
Support and other services	25,423	23,432	1,991	8.5%
Total Expenses	<u>1,357,178</u>	<u>1,410,367</u>	<u>(53,189)</u>	-3.8%
Changes in Net Position	(65,600)	(169,145)	103,545	61.2%
Net Position, beginning of year	<u>628,084</u>	<u>797,229</u>	<u>(169,145)</u>	-21.2%
Net Position, End of Year	<u>\$ 562,484</u>	<u>\$ 628,084</u>	<u>\$ (65,600)</u>	-10.4%

Analysis of /financial Information

1. Capital Assets and Debt of the District

The capital assets of Turner District #43 include the school building, a teacherage building, a computer lab, CNC machine, two storage garages and miscellaneous audio-visual and teaching equipment. Depreciation Expenses increased minimally from \$40,319 to \$42,828. Capital assets increased \$98,353 during the year. This increase is due to flooring installation and the purchase of a walk in freezer. Capital assets, net of accumulated depreciation, are \$716,448, an increase from \$660,923 in 2012-13.

2. Changes and Trends That Affect the District's Future

The population of the community has begun an upward trend due to young families returning to the farm due to the expiration of the Conservation Reserve Program. The projection is for the enrollment to increase by 4% to 8% over the next 4 years. The district continues to use new curriculum instilled to meet Common Core standards, as well as conduct the standardized tests for Smarter Balance. Technology has been a high priority also, installing updated servers, firewall and wireless capabilities. The District contracted with a new Technology firm, Schoolhouse IT, to manage its technology needs. Technology training for all staff has been scheduled throughout the year, encouraging use of more paperless methods. The district remains to operate within the budget adopted, yet as costs of operation rise, the management becomes more challenging. Needs to update and increase safety within the building are also being considered and evaluated. New egress windows in the Elementary classrooms are being investigated, as well as new types of glass for windows. Currently, we are able to operate and provide high quality education. The future increase in enrollment will most definitely bring an increase in budget, therefore proving to keep the district financially stable.

CONTACT FOR FURTHER INFORMATION

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Cindy Cowan, Turner School District Clerk/Business Manger—406-379-2205.

Written contact can be made by writing to:

Turner Public School—PO Box 40—Turner, MT 59542

Email Superintendent Chvilicek at rchvilicek@turner.k12.mt.us

Clerk Cindy Cowan at clerk@turner.k12.mt.us

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments (Note C)	\$ 353,278
Taxes Receivable	12,008
Total Current Assets	<u>365,286</u>
Non-Current Assets	
Capital Assets (Net of Accumulated Depreciation, where applicable) (Note E)	716,448
Total Noncurrent Assets	<u>716,448</u>
Total Assets	<u>1,081,734</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	342
Current Portion Compensated Absences Payable (Note F)	14,852
Total Current Liabilities	<u>15,194</u>
Noncurrent Liabilities	
Long-Term Portion Compensated Absences Payable (Note F)	24,147
Other Post Employment Benefits (Note G)	479,909
Total Noncurrent Liabilities	<u>504,056</u>
Total Liabilities	<u>519,250</u>
NET POSITION	
Net Investment in Capital Assets	716,448
Restricted (Note M)	207,135
Unrestricted Net Position	<u>(361,099)</u>
Total Net Position	<u>\$ 562,484</u>

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions</u>	Program Revenue		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants	Total Governmental Activities
<u>GOVERNMENTAL ACTIVITIES:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
Instruction:			
Regular Programs	\$ 649,561	\$ -	\$ 413,170
Special Programs	27,522	-	86,419
Vocational Programs	1,428	-	-
Traffic Education	1,234	-	323
Operation and Maintenance	145,968	-	21,000
School Food	59,608	14,836	20,484
Extracurricular	46,068	-	-
Student Transportation	152,878	-	66,708
Other	31,472	-	-
Administration:			
General	104,361	-	-
School	1,504	-	-
Business	7,703	-	-
Retirement	102,448	-	-
Support Services	25,423	-	-
Totals	\$ 1,357,178	\$ 14,836	\$ 608,104
GENERAL REVENUES			
District Property Taxes			408,804
Federal Sources			93,515
State Sources			66,810
County Sources			96,417
Investment Earnings			1,217
Penalties and Interest			829
Other			1,046
Total General Revenues			668,638
Change in Net Position			(65,600)
Net Position, Beginning of Year			628,084
Net Position, End of Year			\$ 562,484

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
BALANCE SHEET - GOVERNMENTAL FUNDS
AND RECONCILIATION TO STATEMENT OF NET POSITION
JUNE 30, 2014

	General Fund	Elementary Transportation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments (Note C)	\$ 149,765	\$ 35,999	\$ 167,514	\$ 353,278
Taxes Receivable	8,247	2,824	937	12,008
Total Assets	<u>\$ 158,012</u>	<u>\$ 38,823</u>	<u>\$ 168,451</u>	<u>\$ 365,286</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 203	\$ -	\$ 139	\$ 342
Total Liabilities	<u>203</u>	<u>-</u>	<u>139</u>	<u>342</u>
Deferred Inflows of Resources (Note N)				
Unavailable Revenue	8,247	2,824	937	12,008
Total Deferred Inflows of Resources	<u>8,247</u>	<u>2,824</u>	<u>937</u>	<u>12,008</u>
FUND BALANCES (Note M)				
Restricted		35,999	167,375	203,374
Assigned	52,609	-	-	52,609
Unassigned	96,953	-	-	96,953
Total Fund Balances	<u>149,562</u>	<u>35,999</u>	<u>167,375</u>	<u>352,936</u>
Total Liabilities and Fund Balances	<u>\$ 158,012</u>	<u>\$ 38,823</u>	<u>\$ 168,451</u>	<u>\$ 365,286</u>

Reconciliation to the Statement of Net Position:

Total Fund Balance reported above	\$ 352,936
Amounts reported for governmental activities in the statement of net position are different because;	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,065,228 and the accumulated depreciation is \$1,348,780.	716,448
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(38,999)
Other Post Employment Benefits	(479,909)
Taxes receivable recognized as revenue in the government-wide statements are not available to pay current-period expenditures and are therefore not reported in the funds.	<u>12,008</u>
Net Position of Governmental Activities	<u>\$ 562,484</u>

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Elementary Transportation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
District Levy	\$ 304,690	\$ 67,252	\$ 41,519	\$ 413,461
Penalties and Interest on Taxes	598	150	81	829
Traffic Education Fees	-	-	323	323
Interest Earnings	583	96	538	1,217
Miscellaneous	-	-	22,046	22,046
County Sources	-	23,918	103,313	127,231
State Sources	584,509	27,587	11,004	623,100
Federal Sources	-	-	93,515	93,515
School Foods	-	-	14,836	14,836
Total Revenues	<u>890,380</u>	<u>119,003</u>	<u>287,175</u>	<u>1,296,558</u>
Expenditures				
Current Operations:				
General Administration	104,361	-	-	104,361
Instruction	464,920	-	60,237	525,157
Support Services	25,423	-	-	25,423
Transportation	2,651	113,210	37,000	152,861
Retirement	-	-	102,448	102,448
Traffic Education	-	-	1,234	1,234
Business Services	7,703	-	-	7,703
Operation and Maintenance of Plant	119,694	-	6,637	126,331
School Food Services	31,728	-	35,512	67,240
Student Body and Auxillary Services	44,937	-	-	44,937
Special Programs	27,522	-	-	27,522
Vocational Programs	1,428	-	-	1,428
Other Current Charges	-	-	30,900	30,900
Capital Outlay	47,178	-	51,175	98,353
Total Expenditures	<u>877,545</u>	<u>113,210</u>	<u>325,143</u>	<u>1,315,898</u>
Excess (Deficiency) of Revenues				
Over Expenditures	12,835	5,793	(37,968)	(19,340)
Other Financing Sources (Uses)				
Transfer to (from) Other Funds	(6,724)	-	6,724	-
Total Other Financing Source (Uses)	<u>(6,724)</u>	<u>-</u>	<u>6,724</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	6,111	5,793	(31,244)	(19,340)
Fund Balance, Beginning of Year	143,451	30,206	198,619	372,276
Fund Balance, End of Year	<u>\$ 149,562</u>	<u>\$ 35,999</u>	<u>\$ 167,375</u>	<u>\$ 352,936</u>

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
 BLAINE COUNTY
 TURNER, MONTANA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balances as reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance [Excess of Revenues Over Expenditures]	\$ (19,340)
Amounts included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance not included in the Statement of Activities	
Capital Outlay	98,353
Amounts included in the Statement of Activities not included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance	
Decrease in Unavailable Revenue	(4,980)
Decrease in Compensated Absences	2,446
Increase in Post Employment Benefits	(99,251)
Depreciation Expense	(42,828)
Change in Net Position on the Statement of Activities	\$ (65,600)

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
STATEMENT OF NET POSITION AND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash in Bank (Note C)	\$ 45,211	\$ 6,730
Total Assets	45,211	6,730
LIABILITIES		
Other Current Liabilities	-	6,730
Total Liabilities	-	6,730
NET POSITION		
Held in Trust	45,211	-
Total Net Position	\$ 45,211	\$ -
 CHANGES IN FIDUCIARY NET POSITION		
ADDITIONS		
Revenue from Student Activities	\$ 45,939	
Total Additions	45,939	
DEDUCTIONS		
Expenses of Student Activities	45,297	
Total Deductions	45,297	
Change in Net Position	642	
Net Position, Beginning of Year	44,569	
Net Position, End of Year	\$ 45,211	

See notes to the financial statements.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Turner Public Schools, Blaine County, Montana, delivers education services at all levels below the college and university level. State laws have established two legally separate districts consisting of a high school district and an elementary district. The Districts are managed by a Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. The accounting records for the districts are maintained separately. However, for financial statement reporting purposes, the financial position and results of operations of both districts are combined since they are deemed to be a single reporting entity in accordance with generally accepted accounting principles.

As defined by generally accepted accounting principles, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present only Turner Public Schools, as they have no component units that would be included in the financial data of the School.

The County government of Blaine County provides substantial services to the School. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. County Commissioners have a legal right to review and approve the budget adopted by the School. Yet, the School is not considered to be a component of the County. Management policies and day-to-day control of the School is the sole responsibility of the Board of Trustees. The County does not significantly influence the operations of the school; thus, the School is being treated as a separate and independent unit of local government.

BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

GOVERNMENT-WIDE STATEMENTS - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activities fund, which accounts for the extracurricular activities of the School's students and an agency fund which accounts for the employees' cafeteria plan contributions and disbursements. These are reported as private purpose trust funds in the financial statements section. Eliminations have been made to minimize the double counting of internal activities of the overall government.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (Continued)
GOVERNMENT-WIDE STATEMENTS (Continued)

The Statement of Activities present a comparison between direct expenses and program revenues for each function of the School'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. Program revenues include fees for services and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenue, including all property taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS - These statements provide information about the school's funds, including a separate statement for the school's fiduciary funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as non-major funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days after year-end are recognized as revenue. Most property taxes receivable are delinquent at June 30 and amounts collected within 60 days after year-end are not significant. Unavailable revenues are recorded in the governmental funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. 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.

Under the terms of the School's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the School applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenue.

GASB Statement No. 34 requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. In addition, the School may choose to report any other funds as major funds. Accordingly the District reports the following major governmental funds:

General Fund - the District's primary operating fund which accounts for all financial resources of the School except those required to be accounted for in other funds.

Elementary Transportation Fund - accounts for funds used to finance the District's student transportation program.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets which includes plant, property, equipment and infrastructure assets with a cost of \$5,000 or more are reported in the government-wide financial statements. All capital assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure assets are also capitalized. Depreciation is computed using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

Buildings	50-100 Years
Machinery and Equipment	5-25 Years

Inventories: Inventories are recorded as expenditures at the time of purchase. The School does not record inventories in their financial statements.

Compensated Absences: Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the financial statements. The liability for vacation pay is recorded as a current liability payable within one year in the government wide financial statements. The liability for unused sick leave is recorded as a non-current liability.

Fund Equity: In governmental fund type accounts, fund equity is called "fund balance". Fund balance is reported in the following classifications which reflect the extent to which the school is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

Encumbrances: Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances are also used to record obligations for grant funding. Encumbrances outstanding at year end are reported as restricted or assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at June 30, 2014 were \$52,609 in the General Fund and \$22,620 in the nonmajor funds.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B - PROPERTY TAX

All property taxes are collected by the Blaine County, Montana, Treasurer. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th and May 31st, following the levy date.

The tax levies for the School for the year ended June 30, 2014 were as follows:

	Mill Levies	
	Elementary	High School
General Fund	72.16	96.20
Transportation Fund	40.40	13.62
Technology Fund	4.86	3.95
Total	117.42	113.77

The taxable value upon which the above levies were based was \$1,542,558 for the Elementary District and \$1,896,928 for the High School District.

NOTE C - CASH AND INVESTMENTS

Deposits as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Demand Deposits held by the Blaine County Treasurer	\$ 353,278
Fiduciary Funds:	
Demand Deposits held by the Blaine County Treasurer	6,730
Demand Deposits with financial institutions	45,211
Total	\$ 405,219

Statutes authorized the School to invest in a savings or time deposit with any solvent bank, building and loan association, savings and loan association, or credit union, in obligations of the U.S. Treasury, repurchase agreements, and the State Treasurer's Investment Pool. The School did not have investments at June 30, 2014.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

The District has demand deposits held in the name of the Blaine County Treasurer with First Bank of Montana in the amount of \$360,008, which represents a total of 89% of all deposits.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

The investment policy of the District does not contain legal or policy requirements, other than the provision of state law, that would limit the exposure to custodial credit risk for deposits.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with the financial institutions in excess of the depository insurance coverage limits. A governmental entity's money is insured for each "public unit" based on how the account is titled at the financial institution. The Blaine County government is considered to have \$250,000 FDIC coverage in each bank in the state.

\$110,008 of the District's deposits with financial institutions are in excess of the federal depository insurance limits and were held by the investment counterparty, not in the name of the District.

Interest Rate Risk, Credit Risk and Foreign Currency Risk

The District has no interest rate risk or credit risk associated with debt securities as there are no debt securities owned by the District. The District does not have any foreign currency risk as the District does not own any foreign investments.

NOTE D - RETIREMENT PLANS

The School participates in two state-wide, cost-sharing, multiple-employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teacher's Retirement System (TRS) covers certified teaching employees, including principals and superintendents. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

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

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE D - RETIREMENT PLANS (Continued)

Contribution rates for both plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
TRS	8.47%	8.15%	16.62%
PERS	7.80%	7.90%	15.70%

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% of the employees' payroll for TRS. These are considered on-behalf payments. The School does not record these contributions in their financial statements.

The amounts contributed to the plans during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the School and its employees (including voluntary contributions by employees as permitted by State law) were as follows:

	2012	2013	2014
TRS	\$ 58,575	\$ 61,078	\$ 72,470
PERS	17,135	17,853	20,188
Total	<u>\$ 75,710</u>	<u>\$ 78,931</u>	<u>\$ 92,658</u>

NOTE E - CAPITAL ASSETS

A summary of the capital assets for the year ended June 30, 2014 is as follows:

	Balance 07-01-13	Additions	Deletions	Balance 06-30-14
Land	\$ 156	\$ -	\$ -	\$ 156
Land Improvements	19,314	-	-	19,314
Buildings and Improvements	1,770,106	98,352	-	1,868,458
Machinery and Equipment	177,299	1	-	177,300
Construction in Process	-	25,000	25,000	-
Total at Historical Cost	<u>1,966,875</u>	<u>123,353</u>	<u>25,000</u>	<u>2,065,228</u>
Less Accumulated Depreciation for:				
Land	-	-	-	-
Land Improvements	(18,902)	(365)	-	(19,267)
Buildings and Improvements	(1,147,941)	(37,402)	-	(1,185,343)
Machinery and Equipment	(139,109)	(5,061)	-	(144,170)
Total Accumulated Depreciation	<u>(1,305,952)</u>	<u>(42,828)</u>	<u>-</u>	<u>(1,348,780)</u>
Capital Assets, Net	<u>\$ 660,923</u>	<u>\$ 80,525</u>	<u>\$ 25,000</u>	<u>\$ 716,448</u>

* To Reconcile Capital Asset additions to Capital Outlay

Capital Outlay	\$ 98,353
Removal of Construction in Process	25,000
Total Additions	<u>\$ 123,353</u>

* Depreciation expense was charged to functions as follows:

Instruction	\$ 19,424
Operation and maintenance	19,637
School administration	1,504
School food services	1,132
Extracurricular	1,131
Total	<u>\$ 42,828</u>

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT

Long-term debt of the governmental activities consists of the following:

	Current Portion	Long-Term Portion	Total
1. Vacation and Sick Leave	\$ 14,852	\$ 24,147	\$ 38,999
Total	<u>\$ 14,852</u>	<u>\$ 24,147</u>	<u>\$ 38,999</u>

1. Compensated absences payable represent vacation and sick leave earned by employees which is payable upon termination. Compensated absences are liquidated from the same governmental funds used to pay each individual employee's salary.

The following is a summary of the long-term debt transactions of the governmental activities of the District for the year ended June 30, 2014:

	Balance 07-01-13	Increase	Decrease	Balance 06-30-14
1. Vacation and Sick Leave	\$ 41,445	\$ 67,886	\$ 70,332	\$ 38,999
Total	<u>\$ 41,445</u>	<u>\$ 67,886</u>	<u>\$ 70,332</u>	<u>\$ 38,999</u>

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Turner Public Schools reported the "implicit rate subsidy" liability as required by GASB statement No. 45 for the first time in fiscal year 2010. The school provides employees who retire and their spouses and dependents the option to continue to participate in the Schools group health insurance plan. To continue coverage, retirees are required to pay the full cost of the benefits. The school is not required to offer insurance at the same rate as all participants. Furthermore, there are no other legal or contractual agreements requiring the School to offer the same to retirees as other participants. Rates can be changed or benefits altered at any time to ensure all plans are fiscally sound.

Plan description - In 2014 the school provided employee medical, dental and vision insurance through a privately administered purchased plan.

Funding Policy - The school provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. At June 30, 2014 the School had 1 retired employee, and no employees covered under the COBRA insurance coverage. In 2014, retirees contributed \$5,967 towards the cost of the school's annual premium.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost Obligation - The schools other post employment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method as of June 30, 2014. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by the assets of the plan, the liability is not covered by the assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

Annual Required Contribution	\$	84,672
Interest in OPEB obligation		14,579
Annual OPEB cost (expense)		99,251
Contributions made		-
Increase in net OPEB obligation		99,251
Net OPEB obligation beginning of year		380,658
Net OPEB obligation end of year	\$	479,909

The school's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 106,333	28.75%	\$ 259,265
2013	\$ 84,672	22.24%	\$ 380,658
2014	\$ 99,251	20.68%	\$ 479,909

Funded Status and Funding Progress - As of June 30, 2014 the actuarial accrued liability for benefits was \$521,327 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$541,763, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 96.23%.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions - Projection of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The following assumptions were made:

For the Public Employees' Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Generational Table with a set back of two years for both males and females.

For the Teachers' Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Generational Table with a set back of three years for males and two years for females.

For the Public Employees' Retirement System, Disabled mortality is assumed to follow the RP2000 Disabled Generational Table with a set back of two years for males and one year for females.

For the Teachers' Retirement System, Disabled mortality is assumed to follow the RP2000 Disabled Generational Table with a set back of three years for males and a set forward of three years for females.

Interest and Discount rates used were at 1.64% and the payroll growth inflation rate was 2.5%.

Healthcare cost trend rate (HCCTR) was based on projections which were based on actual renewal rates.

<u>Plan Year</u>	<u>Prescription</u>	
	<u>Medical</u>	<u>Drugs</u>
2013	4.00%	4.00%
2014	7.80%	7.80%
2015	6.40%	6.40%
2016	6.20%	6.20%
2017	6.00%	6.00%
2018	6.40%	6.40%
2019	6.80%	6.80%
2020	6.90%	6.90%
2021	6.70%	6.70%
2022+	6.90%	6.90%

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE G - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions (Continued)

Health Insurance premiums for 2012 were used as the basis for calculation of the present value of total benefits to be paid.

Additional information derived from this actuarial valuation follows:

Actuarial date: July 1, 2012, which includes participants through June 30, 2013.

Actuarial cost method: Projected unit credit funding method

Amortization method: Level percent of pay amortization on an open basis

Participation rate assumption: 100%

Remaining amortization: 28 Years

Rates based on assumptions from the respective pension plan valuations.

For valuation purposes, health care cost increases are assumed to apply at the end of the plan year.

NOTE H - JOINT VENTURE

Turner Public Schools is a participant with 33 other school districts and head start programs in the Bear Paw Cooperative. The Bear Paw Co-op is governed by a five member board composed of school administrators of the participating schools. The Bear Paw Cooperative is a joint venture established by interlocal agreement to offer certain special education services to all handicapped students in compliance with State and Federal law. Turner Public Schools has an ongoing financial responsibility to fund their fair share of the cooperative budget. Complete financial statements for the Bear Paw Cooperative can be obtained from the Cooperative.

NOTE I - CONTINGENT LIABILITIES

Asbestos

The School is mandated to bring the school up to federal asbestos specifications. The cost of implementing all inspection recommendations cannot be determined at this time. An asbestos management program is regularly monitored, updated, and on file in regards to federal specifications.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE J - RISK MANAGEMENT

The School faces a 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. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities. The School uses the State Compensation Insurance Fund for workers' compensation coverage. And, given the lack of coverage available, the School has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated to the school's General Fund. The premiums for workers' compensation coverage and the employee medical plan are allocated to the appropriate funds based on salaries paid from the funds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE K - SUBSEQUENT EVENTS

The District recognizes all effects of subsequent events that provide additional evidence about conditions that existed as of June 30, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of June 30, 2014, but arose after that date and prior to issuance are not recognized in these financial statements other than disclosure. There was a subsequent events that is required to be disclosed as of June 30, 2014. Subsequent events were evaluated through the date of the auditor's report.

In May of 2014, the District signed an agreement with a company for a heating system with total costs of \$401,111. In conjunction with the project, the District secured financing with Montana Board of Investments, Intercap Program for \$344,000. This loan is a variable rate of 1.5% and scheduled to mature the fall of 2019.

NOTE L - GOVERNMENTAL FUND BALANCES

The school's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

Nonspendable - Balances that either are not in a spendable form or are legally or contractually required to remain intact.

Restricted - Balances that are restricted for specific purposes by the constitution, enabling governing body or external resource providers such as creditors, grantors, or laws or regulations of other governments.

Committed - Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the school board of trustees.

Assigned - Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Residual balances that are not contained in the other classifications.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE M - FUND BALANCES AND RESTRICTED NET POSITION

Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances for 2014:

Fund Balances	General	Elementary Transportation Fund	Other Funds	Total Governmental Funds
Restricted for:				
Transportation	\$ -	\$ 35,999	\$ 11,926	\$ 47,925
School Food	-	-	3,735	3,735
Retirement	-	-	31,791	31,791
Misc. Grants	-	-	44,448	44,448
Technology Acquisition	-	-	16,028	16,028
Traffic Education	-	-	1,172	1,172
Rentals	-	-	16,077	16,077
Compensated Absences	-	-	8,120	8,120
Building Maintenance	-	-	34,078	34,078
Total Restricted	-	35,999	167,375	203,374
Assigned for:				
Encumbrances	52,609	-	-	52,609
Total Assigned	52,609	-	-	52,609
Unassigned	96,953	-	-	96,953
Total Fund Balances	\$ 149,562	\$ 35,999	\$ 167,375	\$ 352,936

The School is required by law or contract that certain assets be restricted for a specific purpose. The School classifies the net position of these funds as restricted net position.

These Funds and their net position at June 30, 2014, are as follows:

Restricted for:	
Transportation	\$ 51,211
School Food	3,735
Retirement	31,791
Misc. Grants	44,448
Technology Acquisition	16,503
Traffic Education	1,172
Rentals	16,077
Compensated Absences	8,120
Building Maintenance	34,078
Total Restricted	\$ 207,135

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE N - DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

On the Balance Sheet - Governmental Funds and Reconciliation to Statement of Net Position taxes levied but not collected are classified as a deferred inflow of resources as these funds were not collected and available within the reporting period. This account is eliminated on the government wide financial statements.

NOTE O - INTERFUND TRANSFERS

Transfers of \$6,724 were made from the General Fund to the Compensated Absences Fund.

SUPPLEMENTARY INFORMATION

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund		Actual Amounts Budgetary Basis	Variance - From Final Budget	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Budgeted Amounts					
	Original	Final				
Revenues						
District Levy	\$ 293,787	\$ 293,787	\$ 304,690	\$ 10,903	\$ -	\$ 304,690
Penalties and Interest	-	-	598	598	-	598
Interest Earnings	626	626	583	(43)	-	583
State Sources	584,510	584,510	584,509	(1)	-	584,509
Total Revenues	<u>878,923</u>	<u>878,923</u>	<u>890,380</u>	<u>11,457</u>	<u>-</u>	<u>890,380</u>
Expenditures						
Current Operations:						
Instruction						
Regular Programs	480,130	480,130	464,920	15,210	-	464,920
Special Programs	31,522	31,522	27,522	4,000	-	27,522
Vocational Programs	1,828	1,828	1,428	400	-	1,428
Operation and Maintenance	135,372	135,372	119,694	15,678	-	119,694
School Food Services	18,170	18,170	31,728	(13,558)	-	31,728
Student Body and Auxiliary Services	42,514	42,514	44,937	(2,423)	-	44,937
Administration:						
General	132,439	132,439	104,361	28,078	-	104,361
Business Services	-	-	7,703	(7,703)	-	7,703
Support Services	28,172	28,172	25,423	2,749	-	25,423
Transportation	-	-	2,651	(2,651)	-	2,651
Capital Outlay	15,000	15,000	51,757	(36,757)	4,579	47,178
Total Expenditures	<u>885,147</u>	<u>885,147</u>	<u>882,124</u>	<u>3,023</u>	<u>4,579</u>	<u>877,545</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,224)	(6,224)	8,256	14,480	4,579	12,835
Other Financing (Uses)						
Transfer to Other Funds	(3,779)	(3,779)	(6,724)	(2,945)	-	(6,724)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>\$ (10,003)</u>	<u>\$ (10,003)</u>	1,532	<u>\$ 11,535</u>	<u>\$ 4,579</u>	6,111
Fund Balance, Beginning of Year			95,421			143,451
Fund Balance, End of Year			<u>\$ 96,953</u>			<u>\$ 149,562</u>

Explanation of differences:

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.

\$ 4,579

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

A budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other Governmental Fund Types classified by State law as budgeted funds. Each budget is presented on the modified accrual basis of accounting, utilizing encumbrances as described in Note A to the financial statements which is not consistent with generally accepted accounting principles. All budgets are formulated in accordance with State law. The General Fund budget is based on the State's Foundation Program, which is designed to equalize taxing effort throughout the State and bases the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund.

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
BUDGETARY COMPARISON SCHEDULE - ELEMENTARY TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Elementary Transportation Fund			
	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final	Budgetary Basis	From Final Budget
Revenues				
District Levy	\$ 62,321	\$ 62,321	\$ 67,252	\$ 4,931
Penalties and Interest on Taxes	-	-	150	150
Interest Earnings	-	-	96	96
County Sources	29,008	29,008	23,918	(5,090)
State Sources	32,677	32,677	27,587	(5,090)
Total Revenues	<u>124,006</u>	<u>124,006</u>	<u>119,003</u>	<u>(5,003)</u>
Expenditures				
Current Operations:				
Transportation	128,510	128,510	113,210	15,300
Total Expenditures	<u>128,510</u>	<u>128,510</u>	<u>113,210</u>	<u>15,300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,504)</u>	<u>\$ (4,504)</u>	5,793	<u>\$ 10,297</u>
Fund Balance, Beginning of Year			30,206	
Fund Balance, End of Year			<u>\$ 35,999</u>	

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

A budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other Governmental Fund Types classified by State law as budgeted funds. Each budget is presented on the modified accrual basis of accounting, utilizing encumbrances as described in Note A to the financial statements which is not consistent with generally accepted accounting principles. All budgets are formulated in accordance with State law. The General Fund budget is based on the State's Foundation Program, which is designed to equalize taxing effort throughout the State and bases the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund.

TURNER PUBLIC SCHOOLS
 BLAINE COUNTY
 TURNER, MONTANA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Percentage	Annual Covered Payroll	UAAL as a percentage of Covered Payroll
June 30, 2012	\$ -	\$ 561,429	\$ 561,429	0.00%	\$ 528,162	106.30%
June 30, 2013	\$ -	\$ 545,457	\$ 545,457	0.00%	\$ 541,763	100.68%
June 30, 2014	\$ -	\$ 521,327	\$ 521,327	0.00%	\$ 541,763	96.23%

TURNER PUBLIC SCHOOLS
BLAINE COUNTY
TURNER, MONTANA
EXTRACURRICULAR FUND
STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID
ALL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

Fund Account	Beginning Balance	Revenues Collected	Expenditures Paid	Transfers In (Out)	Ending Balance
Annual	\$ 3,439	\$ 5,659	\$ 4,410	\$ (500)	\$ 4,188
Art	213	78	-	-	291
Athletics	7,771	10,949	9,586	(74)	9,060
Class of 2013	1,021	-	78	(943)	-
Class of 2014	6,538	1,200	8,025	287	-
Class of 2015	5,743	3,334	3,054	426	6,449
Class of 2016	5,683	2,825	1,300	406	7,614
Class of 2017	4,127	2,752	1,684	431	5,626
Class of 2018	1,638	2,306	1,242	399	3,101
Class of 2019	376	3,108	1,922	414	1,976
Class of 2020	-	-	-	406	406
Concessions	-	5,538	2,596	(2,939)	3
Misc. Fund - Book Fair	539	605	460	-	684
Missoula Children's Theatre	3,728	-	3,727	-	1
National Honor Society	328	2,150	1,449	-	1,029
Pep Club	624	1,695	1,504	111	926
Shop Miscellaneous	450	-	-	-	450
Student Council	2,334	3,740	3,761	1,076	3,389
Yearbook Scholarship	18	-	500	500	18
Total	<u>\$ 44,570</u>	<u>\$ 45,939</u>	<u>\$ 45,298</u>	<u>\$ -</u>	<u>\$ 45,211</u>

TURNER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SIGNIFICANT DEFICIENCY

FINDING #1 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN

Condition

There is an absence of segregation of duties appropriate for a strong system of internal control.

Criteria

Internal Controls should be in place segregating the functions of:

1. Authorizing,
2. Recording,
3. Custody of Assets,
4. and Reconciling.

Cause

The size of the entity prevents adequate segregation of duties.

Effect

A material misstatement in the financial statements due to error, abuse or fraud may not be detected and corrected in a timely manner.

Recommendation

The School has implemented compensating controls to the extent practical, and we are not recommending further action by the Board of Trustees. However, we believe the Board should be aware that the condition results in a greater risk of errors occurring and not being identified within a timely manner than would be the case if duties were appropriately segregated.

Response

No response required.

PRIOR YEAR FINDINGS

<u>Finding</u>	<u>Status</u>
Segregation of Duties	No Implementation Required - Finding #1

TURNER PUBLIC SCHOOLS
 BLAINE COUNTY
 TURNER, MONTANA
 SCHEDULE OF STUDENT ENROLLMENT
 JUNE 30, 2014

	Per District Records	Per Enrollment Report
Fall Enrollment 10/13		
Elementary School District:		
Kindergarten	5	5
Grades 1 - 6	37	37
Grades 7 - 8	13	13
Total Elementary	55	55
High School District:		
Grades 9 - 12	15	15
 Winter Enrollment 12/13		
Elementary School District:		
Kindergarten	5	5
Grades 1 - 6	37	37
Grades 7 - 8	13	13
Total Elementary	55	55
High School District:		
Grades 9 - 12	15	15
 Spring Enrollment 2/14		
Elementary School District:		
Kindergarten	6	6
Grades 1 - 6	37	37
Grades 7 - 8	13	13
Total Elementary	56	56
High School District:		
Grades 9 - 12	15	15

ADDITIONAL REPORTS



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1239
41 South First Street West
Malta, Montana 59538
406-654-1575
Fax 406-654-2689
800-767-2467

**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
Turner Public Schools
Turner, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Turner Public Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Turner Public Schools' basic financial statements, and have issued our report thereon dated September 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Turner Public Schools' 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 Turner Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Turner Public Schools' internal control.

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

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

identify certain deficiencies in internal control, described in the accompanying schedule of findings as Finding #1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turner Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CHMS, PC

CHMS, P.C.
Certified Public Accountants
Malta, Montana
September 15, 2015

TURNER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

SIGNIFICANT DEFICIENCY

FINDING #1 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN

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Response

No response required.

PRIOR YEAR FINDINGS

<u>Finding</u>	<u>Status</u>
Segregation of Duties	No Implementation Required - Finding #1