

VALIER SCHOOL DISTRICT NO. 18

**PONDERA COUNTY
VALIER, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Valier School District No. 18
Pondera County
Valier, Montana 59486

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Valier School District No. 18
Pondera County
Valier, Montana 59486

ORGANIZATION

BOARD OF TRUSTEES

Jeremy Curry	Chair
Robert Widhalm	Vice Chair
Kenny Peterson	Trustee
Donald Connelly	Trustee
Travis Lake	Trustee
Kevin L. Thomas	Trustee

OFFICIALS

Matthew Hawk	Superintendent
Mary Lundy	District Clerk
Jo Stone	County Superintendent
Mary Ann Ries	County Attorney

Management's Discussion and Analysis

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

Financial Highlights

- ✦ The Valier School District net position at the close of FY 2014 was \$2,555,212.
- ✦ The overall revenues from all sources for the Valier School District for FY 2014 were \$2,561,549 which represented a .13% increase from FY 2013.
- ✦ The value of the capital assets in the district decreased 9.53% (mostly due to depreciation) while current and other assets decreased .15% in FY 2014.
- ✦ State equalization and other sources of state revenue increased by nearly 4% in FY 2014.
- ✦ Federal revenue in the district decreased by 17.3% or \$11,490 in FY 2014.
- ✦ Property taxes collected at the local level decreased by 5.6% from FY 2013 to FY 2014.
- ✦ The long term liabilities in the district decreased nearly 12% due to a payment on the long term capital debt.
- ✦ The district collected 45% (43.4% in FY 2013) of the total revenue from state sources of revenue and 31% (32.8% in FY 2013) from local property taxes in FY 2014.
- ✦ The district expenses in FY 2014 were up 8.16% to \$2,633,786.
- ✦ The Valier School District expenses exceeded revenues for FY 2014 by \$72,237.
- ✦ The Valier School District net position decreased by 2.75% at the close of FY 2014.
- ✦ Expenses for instruction, operation and maintenance, and administrative services account for 76.3% (75.1% in FY 2013) of the district expenses in FY 2014.
- ✦ The district has total governmental fund balances of \$1,780,769 at the end of FY 2014, which is a 1.2% increase from FY 2013.
- ✦ The Valier School District overall financial condition remains very good even with a slight drop in FY 2014.

Overview of the Valier School District Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund-based Financial Statements

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

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

Governmental funds

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

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

ances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Valier Elementary and High School Districts are recognized as separate entities, but for this discussion are combined. Major governmental funds for the districts are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, High School Bus Depreciation Fund, and Elementary Bus Depreciation Fund as they were considered to be the major funds in FY 2014. The other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds

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

Fiduciary funds

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

Notes to the Financial Statements

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

Other information

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

Government-wide Financial Analysis and Overall Financial Position of the District

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the Valier School District, assets exceeded liabilities by \$2,555,211 at the close of the 2014 fiscal year. Net position for the district at the end of FY 2014 showed a 2.75% decrease (\$72,238) from the close of FY 2013. The negative change in net position was mainly due to a decrease in capital assets (\$122,221) which was largely the result of depreciation. Total assets for the district decreased nearly 4% while liabilities also de-

creased 10.5%. The decrease in liabilities was mostly due to the decrease in long term liabilities which was the result of a payment on the long term debt for the district. During FY 2014 the Valier School District original and final budget for revenue and expenditures was almost exactly the same as actual revenue and expenditures in the General Fund. The following chart presents information on the districts net position for FY 2013 and FY 2014. The right hand column shows the percentage change in each category. The chart clearly shows that the financial position of the Valier District is very good even with a slight drop in net position during FY 2014.

Net Position of the Valier School District

	Governmental Activities			
	FY 2013	FY 2014	Change	% Change
Current and Other Assets	\$1,849,163	\$1,846,315	(\$2,848)	-0.15%
Capital Assets	\$1,281,940	\$1,159,719	(\$122,221)	-9.53%
Total Assets	\$3,131,103	\$3,006,034	(\$125,069)	-3.99%
Current Liabilities	\$45,659	\$47,383	\$1,724	3.78%
Long-term Liabilities Outstanding	\$457,994	\$403,439	(\$54,555)	-11.91%
Total Liabilities	\$503,653	\$450,822	(\$52,831)	-10.49%
Net Position				
Investment in Capital Assets Net of Related Debt	\$907,559	\$846,014	(\$61,545)	-6.78%
Unrestricted	\$734,208	\$1,667,301	\$933,093	127.09%
Restricted	\$985,682	\$41,896	(\$943,786)	-95.75%
Total net position	\$2,627,449	\$2,555,211	(\$72,238)	-2.75%

A portion of the net position of the Valier District at the close of FY 2014 (33.1% was 34.5% in FY 2013) reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Valier District have related debt. The Valier School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Another portion of the net position of the Valier School District represents *unrestricted assets* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The remaining portion of the net position of the district is *restricted assets* which are designated for specific purposes. The restricted funds represented 1.6% of the total district assets in FY 2014, while the unrestricted funds were 65.2% of the district net position. The unrestricted funds increased in FY 2014 while the restricted funds decreased. The Valier School District was able to report a positive balance of net position for both the government as a whole, as well as for governmental activities. The Valier School District net position decreased \$72,238 or 2.75% during FY 2014.

Governmental activities

The total net position derived from governmental activities for the Valier School District decreased by \$72,237 which accounts for the decrease in the net position of the district.

District Wide - Statement of Activities

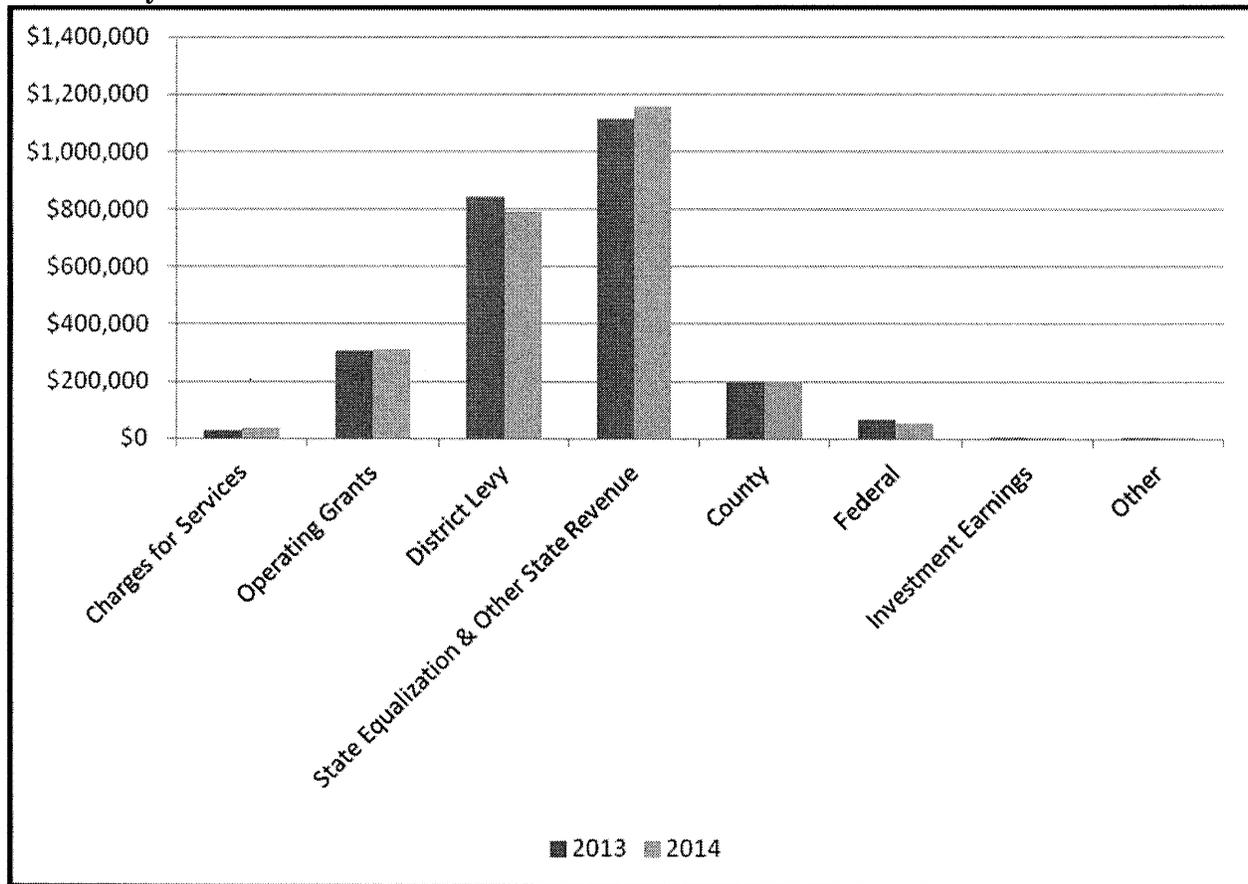
	Governmental Activities			
Program Revenues	FY 2013	FY 2014	Change	% Change
Charges for Services	\$28,932	\$34,619	\$5,687	19.66%
Operating Grants	\$307,491	\$311,925	\$4,434	1.44%
General Revenues				
District Levy	\$840,427	\$793,429	(\$46,998)	-5.59%
State Equalization & Other State Revenue	\$1,111,384	\$1,155,230	\$43,846	3.95%
County	\$196,129	\$200,982	\$4,853	2.47%
Federal	\$66,482	\$54,992	(\$11,490)	-17.28%
Investment Earnings	\$6,335	\$4,957	(\$1,378)	-21.75%
Other	\$973	\$5,415	\$4,442	456.53%
Total Revenues	\$2,558,153	\$2,561,549	\$3,396	0.13%
Program Expenses				
Instruction	\$1,264,042	\$1,371,156	\$107,114	8.47%
Support	\$23,539	\$13,399	(\$10,140)	-43.08%
Media	\$91,574	\$126,208	\$34,634	37.82%
Administration:	\$290,520	\$335,938	\$45,418	15.63%
O & M	\$275,853	\$301,641	\$25,788	9.35%
Transportation	\$234,451	\$259,813	\$25,362	10.82%
Extracurricular	\$100,169	\$95,514	(\$4,655)	-4.65%
School Food	\$114,437	\$122,061	\$7,624	6.66%
Unallocated Depreciation	\$30,125	\$0	(\$30,125)	-100.00%
Interest	\$10,314	\$8,057	(\$2,257)	-21.88%
Total Expenses	\$2,435,024	\$2,633,786	\$198,762	8.16%
Change in Net Position	\$123,129	(\$72,237)	(\$195,366)	-158.67%
Net Position Beginning Yr.	\$2,504,321	\$2,627,450	\$123,129	4.92%
Net Position End of Year	\$2,627,450	\$2,555,212	(\$72,238)	-2.75%

Governmental Activities – Summary from FY 2013 to FY 2014

- ✦ Total Revenues for the district were up .13% or \$3,396.
- ✦ Total expenses for the district were up 8.16% or \$198,762.
- ✦ Revenue from property taxes decreased by 5.59% or \$46,998.
- ✦ State equalization & other state revenue were up \$43,846 or nearly 4%.
- ✦ County revenue was up 2.47% or \$4,853.
- ✦ Federal revenue was down \$11,490 or 17.28%.
- ✦ Interest earnings decreased by 21.75% or \$1,378.
- ✦ District instruction expenses were up 8.47% or \$107,114.
- ✦ Administration expenses were up \$45,418 or 15.6%.
- ✦ Student Transportation expenses increased 10.82% or \$25,362.
- ✦ Operation and maintenance costs were up \$25,788 or 9.35%.

- ✦ Food services expenditures were up 6.66% or \$7,624.
- ✦ Revenue from operating grants and contributions was up 1.44% or \$4,434.
- ✦ Charges for services revenue was up 19.66% or \$5,687 in FY 2014.
- ✦ Extracurricular expenses decreased by \$4,655 or 4.65%.
- ✦ Media (library) costs were up 37.8% or \$34,634.
- ✦ Other Post Employment Benefits expenses were down 100% or \$30,125.
- ✦ Support service costs decreased \$10,140 in FY 2014.

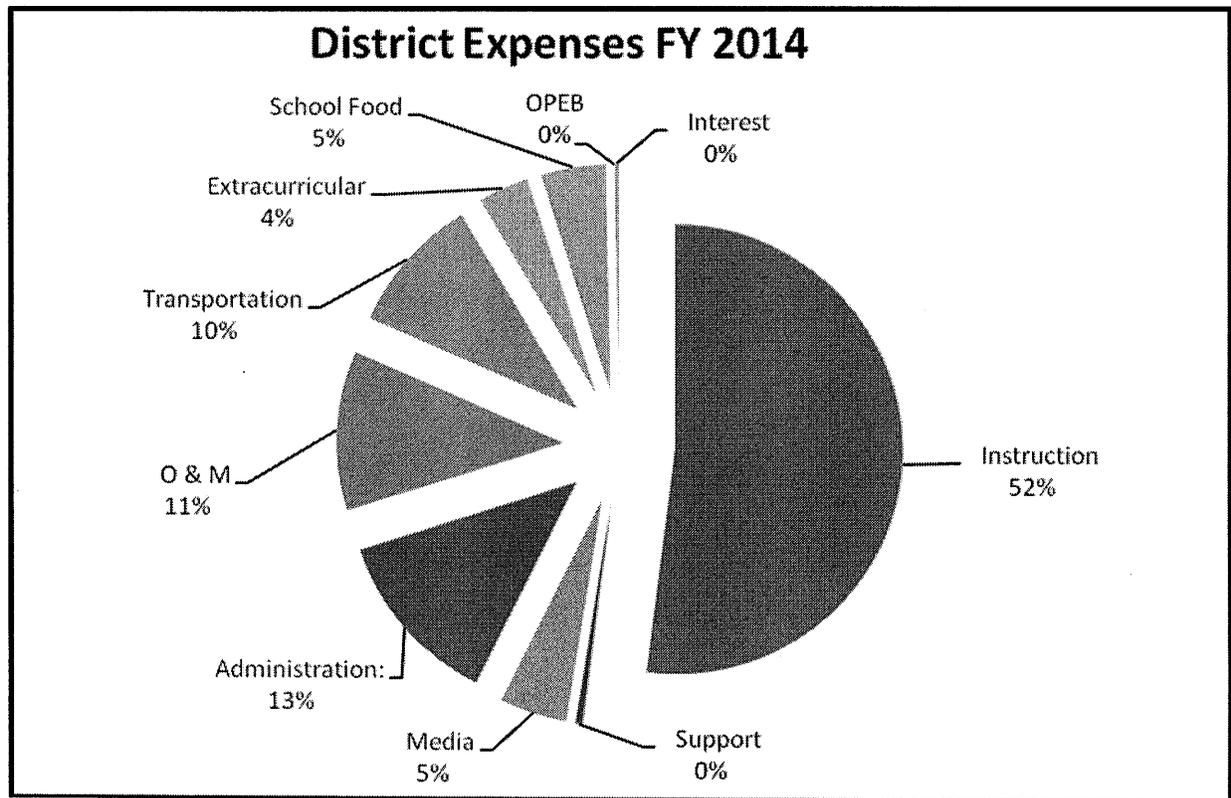
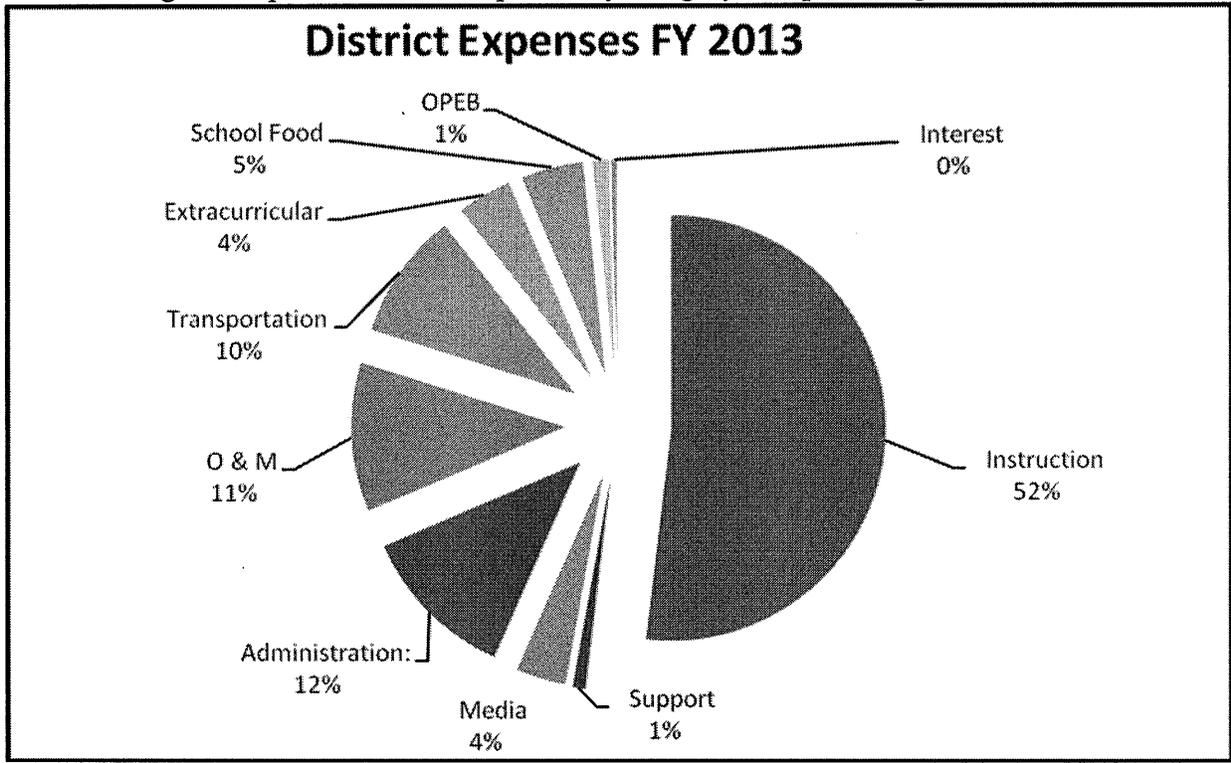
Revenue by Source – Governmental Activities



The bar graph presented above shows that state sources of revenue remained the largest source of revenue for the Valier District followed by property taxes. Major changes from FY 2013 to FY 2014 were an increase in the state revenue (combined equalization & other state revenue), operating grants revenue, county revenue, and charges for services revenue. Decreases in revenue were property taxes revenue, federal revenue, and investment earnings. Total revenue for the district increased slightly in FY 2014. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.

District Expenses

The following charts present district expenses by category as a percentage of the whole.



The pie graphs for district expenses show the allocation of resources for specific purposes during FY 2013 and FY 2014. The graphs illustrates the major expenditure areas, with instruction costs accounting for 52% in FY 2013 and 52% of the district expenses in FY 2014, operation & maintenance costs accounted for 11% of the district expenses both years, and administration accounting for 12% and 13% of the district expenses. Educational media expenses increased 1% to 5% of the total expenses along with administration increasing 1% while OPEB and support services each decreased 1% from FY 2013 to FY 2014.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of FY 2013, the governmental funds of the school district reported a combined ending fund balance of \$1,759,687 and at the end of FY 2014 the fund balance was \$1,780,769 which represents a 1.2% increase. Approximately 99.9% of this total amount constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees.

The general fund is the main operating fund of the Valier School District. At the end of FY 2013, the General Fund had a balance of \$806,105 and at the close of FY 2014 the balance was \$962,014 which represents a 14% increase in the fund. The General Fund unassigned balance was \$962,014 for FY 2014 which represented the entire amount in the fund. The total fund balances in the district increased \$21,083 from the end of FY 2013 to the end of FY 2014 which was a 1.2% increase.

Governmental Fund Financial Statements

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

The governmental funds balance sheet for fiscal years 2013 and 2014 are comprised of major funds and all other funds. The major funds in FY 2014 were the General Fund, High School Bus Depreciation Fund, and Elementary Bus Depreciation Fund. The Other Funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2013 and FY 2014 demonstrates that the Valier School District is in excellent financial condition. The District has considerable amounts of cash and investments in the general fund which makes up 54% of the total fund balances in FY 2014. The District has a minimal amount of liability attached to these same funds. The Valier District fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major funds in FY 2014 were the General Fund, High School Bus Depreciation Fund, and Elementary Bus Depreciation Fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State revenue is the major revenue source for the district general fund category at 64.8% (65.9% in FY 2013) followed by property taxes at 31.9% (34% in FY 2013) in FY 2014. The major expenditure in the general fund is instruction. Instruction expenditures make up 57.8% (56.2% in FY 2013) of the general fund total cost for FY 2014. General administrative services along with operation and maintenance expenditures with rank 2 and 3 respectively for general fund expenditures in FY 2014. The district analysis indicates that total fund balances increased 1.2% from FY 2013 to FY 2014.

General Fund Budgetary Highlights

During FY 2014 the Valier School District original and final budget for revenue and expenditures was almost exactly the same as actual revenue and expenditures in the General Fund. The actual amount of revenue collected was only \$63 less than the budgeted amounts and the expenditures were exactly the same. Total revenues in the General Fund in FY 2014 were slightly more than the expenditures by \$8,937. The general fund revenue and expenditure differences are extremely small when compared to the overall budget.

Capital Asset and Debt Administration

Capital assets

The investment by the Valier School District in capital assets for governmental activities as of June 30, 2014, was \$1,159,719 after depreciation was subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets for the Valier District showed a 9.53% decrease for FY 2014 when compared to FY 2013 after depreciation was subtracted. The decrease in the value of the capital assets can be attributed mainly to depreciation. The capital assets of the district have \$313,705 of long term debt obligations.

Capital Assets of the Valier School District

Capital Assets	Governmental Activities			Percent Change
	Balance 6/30/2013	Changes	Balance 6/30/2014	
Land & Land Improvements	\$118,000	\$0	\$118,000	0.00%
Buildings & Improvements	\$2,497,187	\$0	\$2,497,187	0.00%
Machinery & Equipment	\$701,189	\$23,513	\$724,702	3.35%
Totals at Historical Cost	\$3,316,376	\$23,513	\$3,339,889	0.71%
Less Accumulated Depreciation for:				
Total Accumulated Depreciation	(\$2,034,436)	(\$145,734)	(\$2,180,170)	7.16%
Capital Assets net of depreciation	\$1,281,940		\$1,159,719	-9.53%

Long-term debt

At the end of FY 2014, the Valier School District had \$313,705 of long term debt obligations. The district also had long-term liabilities of \$76,867 for compensated absences of employees and \$60,250 for Other Post Employment Benefits (OPEB).

Economic Factors and Fiscal Year Budgets for 2013 & 2014

- ✦ The population of Pondera County increased by .9% or about 58 residents from 2010 to 2013. This compares to the Montana average of a 2.6% increase.
- ✦ Residents of Pondera County under the age of 18 made up 24.7% of the population in 2013 compared to Montana's 22.1% in 2013.
- ✦ Student enrollment numbers are converted to "Average Number (of students) Belonging" and are used to fund the district. Enrollment numbers increased by 11 students for the Valier District from the 2012-13 school year to the 2013-14 school year. The increase was 19 students in elementary school, an increase of 2 students in grades 7-8, and a decrease of 10 students in grades 9-12. The overall enrollment increase was 6.25%.
- ✦ The unemployment rate for Pondera County was 6.5% in June of 2013 and 5.5% in June of 2014. This compares to the Montana rate of 5.7% in June of 2012 and 4.5% in May of 2013.
- ✦ The poverty rate for Pondera County was 17.5% for 2009-2013, when Montana was at 15.2%.
- ✦ State funding for most Montana schools increased in FY 2014.

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

Requests for Information

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Valier School District No. 18
Pondera County
Valier, Montana 59486

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 Valier School District No. 18 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Valier School District No. 18 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 12) and the schedule of funding for other post-employment benefits other than pensions (pages 31) and budgetary comparison information (pages 32 - 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valier School District No. 18's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 37) and schedule of reported enrollment (page 38) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015 on our consideration of Valier School District No. 18 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 Valier School District No. 18 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
June 5, 2015

Valier School District No. 18
Pondera County
Valier, Montana 59486

STATEMENT OF NET POSITION
as of June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,770,557
Taxes Receivable	65,544
Due From Other Governments	<u>10,213</u>
Total Current Assets	<u>1,846,314</u>
Noncurrent Assets:	
Capital Assets:	
Land	97,500
Construction in Progress	23,513
Net Depreciable Assets	<u>1,038,706</u>
Total Noncurrent Assets	<u>1,159,719</u>
Total Assets	<u>\$ 3,006,033</u>
LIABILITIES:	
Current Liabilities:	
Current Portions Compensated Absences	\$ 6,279
Current Portion Long-Term Capital Obligations	<u>41,104</u>
Total Current Liabilities	<u>47,383</u>
Noncurrent Liabilities:	
Long-Term Obligations	60,250
Compensated Absences	70,588
Long-Term Capital Obligations	<u>272,601</u>
Total Noncurrent Liabilities	<u>403,439</u>
Total Liabilities	<u>450,822</u>
NET POSITION:	
Net investment in capital assets	846,014
Restricted	860,309
Unrestricted (Deficit)	<u>848,888</u>
Total Net Position	<u>2,555,211</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,006,033</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 1,371,157	\$ -	\$ 103,631	\$ (1,267,526)
Support Services	13,399	-	-	(13,399)
Educational Media Services	126,207	-	16,398	(109,809)
General Administrative Services	335,939	-	24,970	(310,969)
Operation & Maintenance Services	301,642	-	-	(301,642)
Transportation Services	259,811	-	-	(144,191)
School Food Services	122,060	-	115,620	(36,136)
Extracurricular	95,515	34,619	51,305	(95,515)
Debt Service	-	-	-	-
Interest and other charges	8,057	-	-	(8,057)
Total Governmental Activities	<u>2,633,787</u>	<u>34,619</u>	<u>311,924</u>	<u>(2,287,244)</u>
GENERAL REVENUES				
District Levies				793,429
State Equalization				671,904
Other State Revenues				483,328
County				200,982
Federal				54,992
Interest				4,956
Other				5,415
Total General Revenues				<u>2,215,006</u>
Change in Net Position				(72,238)
Net Position				
Beginning of the Year				<u>2,627,449</u>
End of the Year				<u>\$ 2,555,211</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2014

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General	Bus Depreciation (Elem.)	Bus Depreciation (HS)		
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 962,014	\$ 228,705	\$ 233,476	\$ 346,362	\$ 1,770,557
Taxes Receivable	41,845	2,795	2,774	18,130	65,544
Due From Other Governments	-	-	-	10,213	10,213
Total Assets	\$ 1,003,859	\$ 231,500	\$ 236,250	\$ 374,705	\$ 1,846,314
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	41,845	2,795	2,774	18,130	65,544
Total Deferred Inflows of resources	41,845	2,795	2,774	18,130	65,544
FUND BALANCE:					
Fund Balances:					
Restricted	-	228,705	233,476	356,575	818,756
Unassigned:	962,014	-	-	-	962,014
Total Fund Balance	962,014	228,705	233,476	356,575	1,780,770
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,003,859	\$ 231,500	\$ 236,250	\$ 374,705	\$ 1,846,314

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,780,770
Governmental Capital Assets	1,159,719
Long-term Liabilities	
Long-Term Obligations	(60,250)
Compensated Absences	(76,867)
Long-Term Capital Obligations	(313,705)
Unavailable Property Taxes Receivable	65,544
Net Position of Governmental Activities	\$ 2,555,211

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

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

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General	Bus Depreciation (Elem.)	Bus Depreciation (HS)		
REVENUES:					
District Levies	\$ 566,409	\$ 49,880	\$ 54,117	\$ 146,955	\$ 817,361
Interest	2,714	582	590	1,071	4,957
Charges for Services	-	-	-	34,619	34,619
Other	10	-	-	3,423	3,433
County	-	-	-	258,792	258,792
State	1,148,790	-	-	99,892	1,248,682
Federal	54,992	-	-	162,645	217,637
Total Revenues	1,772,915	50,462	54,707	707,397	2,585,481
EXPENDITURES:					
Current					
Instructional Services	1,000,467	-	-	281,649	1,282,116
Support Services	7,650	-	-	5,749	13,399
Educational Media Services	61,778	-	-	64,429	126,207
General Administrative Services	252,176	-	-	81,446	333,622
Operation & Maintenance Services	245,458	-	-	52,128	297,586
Transportation Services	18,020	-	-	185,186	203,206
School Food Services	33,843	-	-	87,241	121,084
Extracurricular	86,563	-	-	8,368	94,931
Total Current Outlays	1,705,955	-	-	766,196	2,472,151
Principal	-	-	-	-	-
Interest and other charges	-	-	-	60,676	60,676
Capital Outlay	23,513	-	-	8,057	8,057
Total Expenditures	1,729,468	-	-	834,929	2,564,397
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,447	50,462	54,707	(127,532)	21,084
OTHER FINANCING SOURCES/USES					
Fund Transfers In	-	-	-	7,330	7,330
Fund Transfers (Out)	-	(2,830)	(4,500)	-	(7,330)
Total Other financial Sources/Uses	-	(2,830)	(4,500)	7,330	-
NET CHANGES IN FUND BALANCES	43,447	47,632	50,207	(120,202)	21,084
FUND BALANCE:					
Beginning of the Year	806,105	181,073	183,269	589,239	1,759,686
Prior Period Adjustments	112,462	\$ -	\$ -	(112,462)	-
End of the Year	\$ 962,014	\$ 228,705	\$ 233,476	\$ 356,575	\$ 1,780,770

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

Valier School District No. 18
Pondera County
Valier, Montana 59486

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

Net Changes in Fund Balance		\$	21,084
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(23,932)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(145,734)		
(Increase) decrease in Other Post Employment Benefits	(30,125)		
(Increase) decrease in compensated absence liability	<u>22,280</u>		(153,579)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	23,513		
Principal payments on bonds	<u>60,676</u>		<u>84,189</u>
Change in net position reported on the Statement of Activity		\$	<u>(72,238)</u>

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

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

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 71,643	\$ 110,463
Total Assets	<u>71,643</u>	<u>110,463</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	110,463
Total Liabilities	<u>-</u>	<u>110,463</u>
NET POSITION:		
Restricted for Endowment	6,981	
Restricted for Student Activities	64,662	
Total Net Position	<u>\$ 71,643</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 145,111
Contributions to Endowment	14,433
Total Additions	<u>159,544</u>
DEDUCTIONS:	
Expenses of Student Activities	150,102
Student Scholarships	13,710
Total Deductions	<u>163,812</u>
CHANGE IN NET POSITION	<u>(4,268)</u>
NET POSITION:	
Beginning of the Year	75,911
End of the Year	<u>\$ 71,643</u>

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

VALIER SCHOOL DISTRICT NO. 18

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Valier School District No. 18 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

VALIER SCHOOL DISTRICT NO. 18

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

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and facility rental fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

VALIER SCHOOL DISTRICT NO. 18

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

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the impact aid fund and the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary and High School Bus Depreciation Fund – These funds are used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the funds are limited by depreciation percentages of current busses and two-way radio equipment owned by the School District.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

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

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Pondera County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

VALIER SCHOOL DISTRICT NO. 18

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Improvements other than buildings	25 years
Machinery and Equipment Infrastructure	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay. Certified School District employees shall accrue 13 days of discretionary leave each year. Unused leave will be accruable to 90 days. Upon termination, certified staff with at least 10 years of service for the district will receive 1/3 payout at the employee's current salary.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$6,279 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 13,987
Operations and Maintenance	4,632
Student Transportation	515,093
School Food	20,627
Third Party Grantor Restrictions	13,485
Employer Retirement Benefits	27,884
Future Technology	64,629
Future Capital Costs	134,961
Debt Service	23,458
Total	<u>\$ 818,756</u>

VALIER SCHOOL DISTRICT NO. 18

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,770,557	\$ 182,106	\$ 1,952,663

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

	<u>Amount</u>
Demand Accounts	37,504
County Investment Pool	1,915,159
Total	\$ 1,952,663

Cash resources of the School District are held and managed by the Pondera County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Pondera County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S. government securities, repurchase agreement, and STIP and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Pondera County government. Because of the custodial involvement of the Pondera County government, and the commingling of cash in County deposits in the name of the Pondera County Treasurer, full risk classifications according to GASB 40 are available in the Pondera County's annual report. There is no known maturity and credit rating of the Pondera County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at the Pondera County. As of June 30, 2014, \$37,504 was exposed to custodial credit risk and was covered by FDIC insurance.

Interest Rate Risk: The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The School District's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the School District's investment portfolio is made up of securities whose maturities are less than 10 years.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$2,858,516 for the Elementary School District and \$3,610,169 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

VALIER SCHOOL DISTRICT NO. 18

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

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes</u>	
		<u>Receivable</u>	
General*	117.01	\$	23,991
Transportation	4.05		4,750
Bus Depreciation*	17.51		2,795
Technology	7.70		1,215
Debt Service	10.32		1,577
Building Reserve	3.50		1,217
<u>High School Fund</u>			
General*	62.69		17,854
Transportation	3.75		3,398
Bus Depreciation*	15.07		2,774
Adult Education	0.00		50
Technology	8.86		1,677
Debt Service	3.80		3,604
Building Reserve	2.77		642
Total	<u>257.03</u>	\$	<u>65,544</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Retirement	4,772	Pondera County	Fiscal year 2014 budgeted payment
Miscellaneous	<u>5,441</u>	State of MT	Title I Part A grant
Total	<u>\$ 10,213</u>		

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	\$ 97,500	\$ 0	\$ 97,500
Construction In Progress	0	23,513	23,513
Total Non-depreciable	<u>\$ 97,500</u>	<u>\$ 23,513</u>	<u>\$ 121,013</u>
<u>Depreciable:</u>			
Land Improvements	\$ 20,500	\$ 0	\$ 20,500
Buildings	2,497,187	0	2,497,187
Major Equipment	701,189	0	701,189
Total Depreciable	<u>\$ 3,218,876</u>	<u>\$ 0</u>	<u>\$ 3,218,876</u>
<u>Accumulated Depreciation:</u>			
Land Improvements	\$ (17,437)	\$ (763)	\$ (18,200)
Buildings	(1,552,744)	(84,142)	(1,636,886)
Major Equipment	(464,255)	(60,829)	(525,084)
Total Depreciation	<u>\$ (2,034,436)</u>	<u>\$ (145,734)</u>	<u>\$ (2,180,170)</u>
Net Depreciable Assets	<u>1,184,440</u>	<u>(145,734)</u>	<u>1,038,706</u>
Net Governmental Capital Assets	<u>\$ 1,281,940</u>	<u>\$ (122,221)</u>	<u>\$ 1,159,719</u>

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 82,617
School Administration	1,774
Operation & Maintenance	2,717
Transportation	56,775
School Food	1,267
Extracurricular	584
Total Depreciation Expense	<u>\$ 145,734</u>

VALIER SCHOOL DISTRICT NO. 18

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

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 95,000	\$ 0	\$ 20,000	\$ 75,000	\$ 0
Intercap Loans	279,381	0	40,676	238,705	41,104
Total Bonds and Notes Payable	<u>\$ 374,381</u>	<u>\$ 0</u>	<u>\$ 60,676</u>	<u>\$ 313,705</u>	<u>\$ 41,104</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 99,147	\$ 0	\$ 22,280	\$ 76,867	\$ 6,279
Other Post-Employment Benefits (OPEB)	30,125	30,125	0	60,250	0
Total Other Liabilities	<u>\$ 129,272</u>	<u>\$ 30,125</u>	<u>\$ 22,280</u>	<u>\$ 137,117</u>	<u>\$ 6,279</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 503,653</u>	<u>\$ 30,125</u>	<u>\$ 82,956</u>	<u>\$ 450,822</u>	<u>\$ 47,383</u>

6. b. GENERAL OBLIGATION BONDS

The elementary school district issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the elementary school district. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
GO Bonds	1997	5.1-5.625%	20 Years	2017	\$ 324,000	\$ 75,000

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>Elementary</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 0	\$ 2,062
2016	25,000	3,437
2017	25,000	2,063
2018	25,000	687
Totals	<u>\$ 75,000</u>	<u>\$ 8,249</u>

6. c. INTERCAP LOAN

The School District entered into an intercap loan in prior years with Montana Board of Investments for the acquisition of the HVAC system and swimming pool project. Total payments made in fiscal year 2014 were \$46,676 which included \$2,692 of interest. The loan was issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
MT Intercap Loan	2005	Currently 1%	10 Years	2015	\$ 100,000	\$ 17,047
MT Intercap Loan	5/2011	Currently 1%	10 Years	2021	147,739	110,829
					<u>\$ 247,739</u>	<u>\$ 127,876</u>

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
MT Intercap Loan	5/2011	Currently 1%	10 Years	2021	\$ 147,739	\$ 110,829

Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

VALIER SCHOOL DISTRICT NO. 18

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

For the year ended 6/30:	<u>Elementary</u>		<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
2015	\$ 26,340	\$ 1,279	\$ 14,764	\$ 1,108
2016	20,235	1,015	14,764	961
2017	14,764	813	14,764	813
2018	14,764	665	14,764	665
2019	14,764	518	14,764	518
2020-2022	37,009	667	37,009	667
Totals	<u>\$ 127,876</u>	<u>\$ 4,957</u>	<u>\$ 110,829</u>	<u>\$ 4,732</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 23,991	Taxes Receivable
Transportation	4,750	Taxes Receivable
Bus Depreciation*	2,795	Taxes Receivable
Technology	1,215	Taxes Receivable
Debt Service	1,577	Taxes Receivable
Building Reserve	1,217	Taxes Receivable
<u>High School Fund</u>		
General*	17,854	Taxes Receivable
Transportation	3,398	Taxes Receivable
Bus Depreciation*	2,774	Taxes Receivable
Adult Education	50	Taxes Receivable
Technology	1,677	Taxes Receivable
Debt Service	3,604	Taxes Receivable
Building Reserve	642	Taxes Receivable
Total	<u>\$ 65,544</u>	

* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 99,550	GASB 54 reclassification of flexibility Fund
Flexibility*	(99,550)	GASB 54 reclassification of flexibility Fund
<u>High School Fund</u>		
General*	12,913	GASB 54 reclassification of flexibility Fund
Flexibility*	(12,913)	GASB 54 reclassification of flexibility Fund
Total	<u>\$ 0</u>	

* Denotes Major Funds

NOTE 9. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Bus Depreciation *	\$ 2,830	Building Reserve - Allowable security transfer
<u>High School Fund - From</u>		<u>High School Fund - To</u>
Bus Depreciation *	4,500	Building Reserve - Allowable security transfer
Total	<u>\$ 7,330</u>	

* Denotes Major Funds

VALIER SCHOOL DISTRICT NO. 18

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

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$3,300 per member and \$6,600 per member and spouse. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement. Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 211,519
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>211,519</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,202,456
UAAL as a percentage of covered payroll	17%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2014.

Annual Required Contribution (ARC)	\$ 30,125
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	30,125
Contribution made	<u>0</u>
Increase in net OPEB obligation	30,125
Net OPEB obligation - beginning of year	<u>30,125</u>
Net OPEB obligation - end of year	<u>\$ 60,250</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	4.0%
Average Salary Increase	2.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTE 11. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an inter-local common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

VALIER SCHOOL DISTRICT NO. 18

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

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

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana. Both plans issue publicly available annual reports that include financial statements and required supplemental 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
www.trs.doa.state.mt.us

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

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements. Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, School District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 174,939	\$ 164,067	\$ 240,792
PERS	34,570	34,270	38,978
Total	<u>\$ 209,509</u>	<u>\$ 198,337</u>	<u>\$ 279,770</u>

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Valier School District No. 18 is a member of the Big Sky Special Needs Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Valier School District No. 18, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Pondera County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 23. TRANSPORTATION

The District contracts a bus route with Artful Dodger Bus Co. for student transportation needs. Artful Dodger provides busses, drivers, and maintenance of the busses for the student transportation needs of the route. This contract is for fiscal year 2014 with changes based on mileage driven and adjustments for fuel prices. Transportation fees paid to Artful Dodger Bus Service in fiscal year 2014 were \$91,476.

VALIER SCHOOL DISTRICT NO. 18

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>0</u>	<u>211,519</u>	<u>211,519</u>	<u>0</u>	<u>1,202,456</u>	<u>17%</u>

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

	General (Elem)			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 334,445	\$ 334,445	\$ 338,169	\$ 50,064	\$ 50,064	\$ 49,879
Interest	382	382	218	-	-	582
Other	-	-	-	-	-	-
State	611,060	611,060	616,437	-	-	-
Total Revenues	<u>945,887</u>	<u>945,887</u>	<u>954,824</u>	<u>50,064</u>	<u>50,064</u>	<u>50,461</u>
EXPENDITURES:						
Current						
Instructional Services			574,753			-
Support Services			2,678			-
Educational Media Services			31,737			-
General Administrative Services			134,757			-
Operation & Maintenance Services			151,505			-
Transportation Services			4,551			-
School Food Services			20,625			-
Extracurricular			25,281			-
Total Current Outlays			<u>945,887</u>			<u>-</u>
Capital Outlay			-	231,137	231,137	-
Total Expenditures	<u>945,887</u>	<u>945,887</u>	<u>945,887</u>	<u>231,137</u>	<u>231,137</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>-</u>	<u>-</u>	<u>8,937</u>	<u>(181,073)</u>	<u>(181,073)</u>	<u>50,461</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			-			(2,830)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,830)</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>8,937</u>	<u>(181,073)</u>	<u>(181,073)</u>	<u>47,631</u>
FUND BALANCE:						
Beginning of the Year			84,083			181,073
End of the Year			<u>\$ 93,020</u>			<u>\$ 228,704</u>

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

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

	Bus Depreciation (HS)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 54,418	\$ 54,418	\$ 54,117	\$ 226,327	\$ 226,327	\$ 228,240
Interest	-	-	590	338	338	196
Other	-	-	-	33	33	-
State	-	-	-	528,768	528,768	528,768
Total Revenues	54,418	54,418	54,707	755,466	755,466	757,204
EXPENDITURES:						
Current						
Instructional Services			-			425,714
Support Services			-			4,972
Educational Media Services			-			29,433
General Administrative Services			-			116,122
Operation & Maintenance Services			-			91,601
Transportation Services			-			13,469
School Food Services			-			13,218
Extracurricular			-			60,937
Total Current Outlays			-			755,466
Capital Outlay	237,687	237,687	-			-
Total Expenditures	237,687	237,687	-	755,466	755,466	755,466
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(183,269)	(183,269)	54,707	-	-	1,738
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(4,500)			-
Total Other financial Sources/Uses	-	-	(4,500)	-	-	-
NET CHANGES IN FUND BALANCES	(183,269)	(183,269)	50,207	-	-	1,738
FUND BALANCE:						
Beginning of the Year			183,269			72,153
End of the Year			\$ 233,476			\$ 73,891

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

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

	Flexibility Fund (Elem.)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	290	-	-	37
Other	-	-	-	-	-	-
State	-	-	10	-	-	3,585
Total Revenues	-	-	300	-	-	3,622
EXPENDITURES:						
Current						
Instructional Services	-	-	-	-	-	-
Support Services	-	-	-	-	-	-
Educational Media Services	-	-	-	-	-	-
General Administrative Services	-	-	499	-	-	313
Operation & Maintenance Services	-	-	2,285	-	-	-
Transportation Services	-	-	-	-	-	-
School Food Services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Total Current Outlays	-	-	2,784	-	-	313
Capital Outlay	-	-	23,513	-	-	-
Total Expenditures	-	-	26,297	-	-	313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(25,997)	-	-	3,309
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	-	-	-	-	-	-
Total Other financial Sources/Uses	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	-	-	(25,997)	-	-	3,309
FUND BALANCE:						
Beginning of the Year	-	-	99,549	-	-	12,913
End of the Year	-	-	\$ 73,552	-	-	\$ 16,222

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

VALIER SCHOOL DISTRICT NO. 18

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

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds.

1. a. 2 Budget Operation:

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

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

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

VALIER SCHOOL DISTRICT NO. 18

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

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (EL)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund (EL)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Sub-fund Impact Aid Fund (EL)</u>	<u>Sub-fund Impact Aid Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:							
District Levies	\$ 338,169	\$ 228,240	\$ 0	\$ 0	\$ 0	\$ 0	\$ 566,409
Interest Earnings	218	196	290	37	1,117	856	2,714
Other	0	0	10	0	0	0	10
State Sources	616,437	528,768	0	3,585	0	0	1,148,790
Federal	0	0	0	0	40,039	14,953	54,992
Total Revenues	<u>\$ 954,824</u>	<u>\$ 757,204</u>	<u>\$ 300</u>	<u>\$ 3,622</u>	<u>\$ 41,156</u>	<u>\$ 15,809</u>	<u>\$ 1,772,915</u>
EXPENDITURES:							
Instructional Services	574,753	425,714	0	0	0	0	1,000,467
Support Services	2,678	4,972	0	0	0	0	7,650
Educational Media	31,737	29,433	0	0	0	608	61,778
General Administrative	134,757	116,122	499	313	139	346	252,176
Operation & Maintenance	151,505	91,601	2,285	0	22	45	245,458
Transportation	4,551	13,469	0	0	0	0	18,020
Extracurricular	25,281	60,937	0	0	0	345	86,563
Capital	0	0	23,513	0	0	0	23,513
School Food	20,625	13,218	0	0	0	0	33,843
Total Expenditures	<u>\$ 945,887</u>	<u>\$ 755,466</u>	<u>\$ 26,297</u>	<u>\$ 313</u>	<u>\$ 161</u>	<u>\$ 1,344</u>	<u>\$ 1,729,468</u>
Net Changes In Fund Balance	8,937	1,738	(25,997)	3,309	40,995	14,465	43,447
FUND BALANCE:							
Beginning of the Year	84,083	72,153	0	0	364,469	285,400	806,105
Prior Period Adjustment	0	0	99,549	12,913	0	0	112,462
Ending of the Year	<u>93,020</u>	<u>73,891</u>	<u>73,552</u>	<u>16,222</u>	<u>405,464</u>	<u>299,865</u>	<u>962,014</u>

In the reconciliation the general funds, flexibility funds, and impact aid funds are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility fund, and impact aid fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility funds because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the impact aid funds are non-budgeted special revenue funds.

VALIER SCHOOL DISTRICT NO. 18

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST - STUDENT ACTIVITY FUNDS
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Transfers	Ending Balance <u>6/30/2014</u>
ATHLETICS	16,177	15,168	20,053	(4,249)	7,043
JR HI ATHLETICS	4,058	4,097	3,604	-	4,551
INTRAMURAL SPORTS	473	1	-	-	474
SWIMMING	13,872	1,606	829	-	14,649
V CLUB	772	1	900	255	128
CHEERLEADERS	230	464	614	-	80
ACTIVITY	2,277	900	849	137	2,465
MUSIC	660	1	224	227	664
INSTRUMENT RENTAL	153	-	-	-	153
LIBRARY	344	324	159	-	509
ELEMENTARY LIBRARY	502	1	135	-	368
BOOK DEPOSIT	694	1	695	-	-
VICA	7	2,726	3,287	805	251
METALS	66	-	-	-	66
WOODS	501	-	-	-	501
JR HI SHOP	63	-	-	-	63
CLASS OF 2017	288	-	157	188	319
HONOR SOCIETY	423	1	52	-	372
STUDENT COUNCIL	579	4,278	3,014	775	2,618
BOOK FAIR	20	2,826	2,826	-	20
NEWSPAPER	182	-	-	-	182
YEARBOOK REVOLVING	1,983	2,728	2,333	-	2,378
CLASS OF 2014	1,547	502	1,354	309	1,004
CROWS NEST	936	538	-	431	1,905
CLASS OF 2016	820	2	15	844	1,651
CLASS OF 2013	431	-	67	(364)	-
CLASS OF 2019	126	-	-	194	320
DISTRICT 1 PRESIDENT	9	555	-	-	564
EXPLORICA	4,048	75,236	82,210	4,529	1,603
FCCLA	347	9,470	9,249	(545)	23
ART CLUB	137	-	-	(137)	-
SCHOOL PLAY	2,026	2,632	3,191	-	1,467
ELEM ACTIVITY	5,019	975	436	-	5,558
SCIENCE OLYMPIAD	156	-	-	165	321
JH VOLLEYBALL	559	1	-	-	560
CONCESSIONS	2,080	18,512	9,757	(7,272)	3,563
CLASS OF 2015	695	1	1,288	987	395
CLASS OF 2020	-	-	-	72	72
MISC FEES	4,508	6	1,989	1,989	4,514
CLASS OF 2018	126	-	235	730	621
FOOTBALL	17	-	-	-	17
BOYS BASKETBALL	501	141	-	-	642
GIRLS BASKETBALL	87	785	-	-	872
VOLLEYBALL	380	346	304	-	422
CROSS COUNTRY	70	-	-	(70)	-
WRESTLING	80	-	-	-	80
GOLF	243	258	200	-	301
TRACK	44	-	-	-	44
HR HI WRESTLING	48	28	76	-	-
SOS FUNDS	289	-	-	-	289
Total	69,653	145,111	150,102	-	64,662

VALIER SCHOOL DISTRICT NO. 18
SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	15	15	0
Grade 1 - 6	82	82	0
Grade 7 - 8	<u>37</u>	<u>37</u>	<u>0</u>
Total	<u>134</u>	<u>134</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>48</u>	<u>48</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	15	15	0
Grade 1 - 6	84	84	0
Grade 7 - 8	<u>38</u>	<u>38</u>	<u>0</u>
Total	<u>137</u>	<u>137</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>48</u>	<u>48</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	15	15	0
Grade 1 - 6	84	84	0
Grade 7 - 8	<u>37</u>	<u>37</u>	<u>0</u>
Total	<u>136</u>	<u>136</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>47*</u>	<u>47*</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

* - Does not include 2 early graduates

STROM & ASSOCIATES, PC
Certified Public Accountants
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Valier School District No. 18
Pondera County
Valier, Montana 59486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valier School District No. 18 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Valier School District No. 18's basic financial statements and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valier School District No. 18's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014 -001.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valier School District No. 18's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Valier School District No. 18's Response to Findings

The District did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
June 5, 2015

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report. The following is the status for the fiscal year ended June 30, 2014.

2014-001 - REVENUE & EXPENDITURES:

Criteria: Generally accepted accounting principles (GAAP) requires all revenues and expenditures to be properly recorded and reported.

Condition: An insurance check received for hail damage to the school was coded as negative expenditures.

Effect: The effect was under reported revenue and expenditures.

Context: Revenues of \$61,518 were offset against expenditures.

Cause: This was done so that the high school general fund did not go over budget, and the district would not have to budget the one time revenue in the next year.

Recommendation: We recommend the district put one time only funds in the miscellaneous fund so that revenues and expenditures can be correctly recognized.