

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Steve Wilson	Chairperson
Marci Smith	Vice Chairperson
Chris Bishop	Trustee
Roy Perry	Trustee
Paul Rosen	Trustee

DISTRICT OFFICIALS

Lance Pearson	District Superintendent
Luanne Bauman	Business Manager
Michael Williams	County Superintendent
Bill Fulbright	County Attorney

Victor School District # 7
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014

The Superintendent and Business Manager/Clerk of the Victor School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

Financial Highlights

Using This Financial Report

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

Reporting the School District as a Whole

This report consists of financial statements for the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

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

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

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

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

Reporting the District’s Most Significant Funds

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

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

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general fund, retirement fund, miscellaneous and other funds, and debt service fund. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

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

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund.

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations.

The district is responsible for ensuring these assets are used for their intended purpose.

Budget -to-Actual Comparisons

The District's original and final budget had an amendment to the General Fund for \$26,147, due to unanticipated enrollment.

However, the general fund revenue increased due to increased enrollment (ANB) received. Interest revenue has decreased since last year, due to lower rates and completion of the construction projects, and net capital assets increased.

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

There were no significant variances between the final expenditure budget and the actual expenditures.

THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. The District's net assets have remained fairly constant in comparison to the year before, with a 0% change. Long term debt outstanding went down 3%. Most of the District's net position reflect its investment in capital asset.

**Victor School District
Condensed Statement of Net Position**

	<u>Governmental Activities FY14</u>	<u>Governmental Activities FY13</u>	Percentage Change from <u>2013 to 2014</u>
Current and other assets	\$741,502	\$626,923	18%
Capital assets	\$6,674,849	\$6,928,316	-4%
Total Assets	\$7,416,351	\$7,555,239	-2%
Long-term debt outstanding	\$3,222,083	\$3,362,103	-4%
Other Liabilities	\$1,163	\$10,180	-89%
Total Liabilities	\$3,223,246	\$3,372,283	-4%
Net Investment in Capital Assets	\$3,896,112	\$3,975,596	-2%
Restricted	\$497,632	\$381,182	31%
Unrestricted (deficit)	(\$200,639)	(\$173,822)	-15%
Total Net Position	\$4,193,105	\$4,182,956	0%
 <u>Changes in Net Position</u>			
Increase (decrease) in net position	<u>\$10,149</u>	<u>(\$162,575)</u>	

	<u>Governmental Activities FY14</u>	<u>Governmental Activities FY13</u>	Percentage Change from <u>2013 to 2014</u>
<u>Revenues</u>			
<u>Program Revenues (by major source)</u>			
Charges for Services	\$37,264	\$30,390	23%
Operating Grants and Contributions	\$526,022	\$557,077	-6%
<u>General Revenues:</u>			
Property Taxes	\$906,694	\$814,852	11%
Grants and Entitlements	\$1,701,429	\$1,618,566	5%
Investment Earnings	\$2,779	\$3,329	-17%
Miscellaneous (Other Revenue)	\$13,335	\$21,109	-37%
State Entitlement (Block Grants)	\$130,650	\$130,650	0%
State Technology County	\$5,239	\$2,691	95%
Retirement	\$294,955	\$265,571	11%
Total Revenues	\$3,618,367	\$3,444,235	5%

Program Expenses

Regular			
programs	\$1,310,086	\$1,265,390	4%
Special			
Programs	\$291,013	\$293,880	-1%
Vocational Programs	\$211,718	\$198,040	7%
Adult Education	\$4,471	\$0	0%
Support Services -			
General	\$96,285	\$114,678	-16%
Educational Media	\$66,467	\$96,857	-31%
Administration - General	\$137,507	\$137,021	0%
Administration - School	\$88,029	\$94,605	-7%
Administration - Business	\$258,759	\$207,011	25%
Transportation	\$157,807	\$171,088	-8%
Operation and			
Maintenance	\$353,675	\$361,393	-2%
School Food	\$150,188	\$160,598	-6%
Extracurricular	\$114,037	\$130,776	-13%
Debt Service Expense-Interest	\$113,118	\$120,095	-6%
Unallocated depreciation	<u>\$255,837</u>	<u>\$255,378</u>	<u>0%</u>
Total Expenses	\$3,608,997	\$3,606,810	0%

The District's revenues for the fiscal year ending June 30, 2014 increased 5% (due to enrollment increase), while expenses remained basically the same, the District did have an increase in net assets of \$10,149. This increase was due to depreciation, compensated absences and OPEB (GASB 45) calculations.

Analysis of Financial Information

There were no new expenses or programs added that would account for significant change to the District.

Capital Assets

As of June 30, 2014 the District has completed all construction projects, with the exception of the gymnasium floor refinish.

The following schedule presents capital asset balances for the fiscal year ending June 30, 2014:

	Net Capital	Assets:		Percentage Change from <u>2013 to</u> <u>2014</u>
		<u>FY 2014</u>	<u>FY 2013</u>	
Land		\$22,512	\$22,512	0%
Construction in Progress		\$0	\$0	0%
Land Improvement		\$39,486	\$24,439	62%
Buildings		\$8,035,497	\$8,024,697	0%
Machinery and equipment		\$759,755	\$751,755	1%
Accumulated Depreciation		<u>(\$2,182,401)</u>	<u>(\$1,895,087)</u>	<u>-14%</u>
Total		\$6,674,849	\$6,928,316	-4%

Debt Administration

At June 30, 2014 the District had \$2,725,000 in general obligation bonds and \$497,083 in other long-term debt outstanding, of which \$250,665 is due within one year.

A summary of the District's outstanding long-term debt is presented below:

	Long Term	Debt:		Percentage Change from <u>2013 to</u> <u>2014</u>
		<u>FY 2014</u>	<u>FY 2013</u>	
General obligation bonds		\$2,725,000	\$2,880,000	-9%
INTERCAP Loan		\$53,737	\$72,720	-26%
Compensated Absences		\$265,944	\$231,981	15%
OPEB		<u>\$177,402</u>	<u>\$177,402</u>	<u>0%</u>
Total		\$3,222,083	\$3,362,103	-9%

The District's Future

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

The District completed the paved bus parking lot area. We also replaced the gymnasium scoreboards. This past summer we refinished the gymnasium floor and the District purchased a commercial lawn mower.

Although we need to continue to upgrade and upkeep the facilities, they do seem adequate. The District will have to address an antiquated heating system in the Middle School area soon.

Federal funding for education does not seem to meet the increase in mandates under the No Child Left Behind Act, as well Special Education funding is not meeting the proper levels for our children to be successful. In FY 2015, due to our free and reduced lunch percentage (currently at 74%) we qualified for the Community Eligibility Program which allows the District to feed kindergarten through eighth grade for free to all students. This is a federally funded program.

We continue to see an increase in Special Needs students. Our use of specialists continues to increase also. We added a kindergarten aide that was not anticipated. We did see an increase in the elementary student count in the Fall of 2013. We petitioned OPI for a budget amendment which was be used to pay for the extra kindergarten teacher and the aide in that area. Other schools in the area have experienced a decrease in enrollment. We cannot identify specific reasons for the increase in enrollment.

There is talk of having the public schools offer pre-school. If this is required, then the District will have to re-evaluate our facility and space issues.

Contact for Additional Information

If you have questions about this report or need additional information, contact the Business Manager/District Clerk at Victor School District, 425 4th Ave, Victor, MT 59875, 406-642-3221.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Victor Public Schools
Ravalli County
Victor, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Public Schools, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 7, 35 through 38, and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Victor Public Schools, Ravalli County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Victor Public Schools, Ravalli County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPA's, P.C.

March 31, 2015

Victor Public School, Ravalli County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	594,265
Taxes and assessments receivable, net		97,764
Accounts receivable - net		2,003
Due from other governments		47,470
Total current assets	\$	741,502
Noncurrent assets		
Capital assets - land	\$	22,512
Capital assets - depreciable, net		6,652,337
Total noncurrent assets	\$	6,674,849
Total assets	\$	7,416,351
LIABILITIES		
Current liabilities		
Accounts payable	\$	1,163
Current portion of long-term capital liabilities		173,224
Current portion of compensated absences payable		77,441
Total current liabilities	\$	251,828
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	177,402
Noncurrent portion of long-term capital liabilities		2,605,513
Noncurrent portion of compensated absences		188,503
Total noncurrent liabilities	\$	2,971,418
Total liabilities	\$	3,223,246
NET POSITION		
Net investment in capital assets	\$	3,896,112
Restricted for capital projects		40,950
Restricted for debt service		151,251
Restricted for special projects		305,431
Unrestricted		(200,639)
Total net position	\$	4,193,105

See accompanying Notes to the Financial Statements

Victor Public School, Ravalli County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Position</u>
Primary government:		Services	Grants and	Primary Government
			Contributions	Activities
Governmental activities:				
Instructional - regular	\$ 1,310,086	\$ 6,345	\$ 240,365	\$ (1,063,376)
Instructional - special education	291,013	-	122,904	(168,109)
Instructional - vocational education	211,718	-	13,541	(198,177)
Instructional - adult education	4,471	2,020	-	(2,451)
Supporting services - operations & maintenance	353,675	-	-	(353,675)
Supporting services - general	96,285	-	-	(96,285)
Supporting services - educational media services	66,467	-	-	(66,467)
Administration - general	137,507	-	-	(137,507)
Administration - school	88,029	-	-	(88,029)
Administration - business	258,759	-	-	(258,759)
Student transportation	157,807	-	43,221	(114,586)
Extracurricular	114,037	-	-	(114,037)
School food	150,188	28,899	105,991	(15,298)
Debt service expense - interest	113,118	-	-	(113,118)
Unallocated depreciation*	255,837	-	-	(255,837)
Total governmental activities	\$ 3,608,997	\$ 37,264	\$ 526,022	\$ (3,045,711)
General Revenues:				
				\$ 906,694
Property taxes for general purposes				1,701,429
Grants and entitlements not restricted to specific programs				2,779
Investment earnings				13,335
Miscellaneous (other revenue)				130,650
State entitlement (block grants)				5,239
State technology				294,955
County retirement				3,055,081
Total general revenues, special items and transfers				9,370
Change in net position				
Net position - beginning				\$ 4,182,956
Restatements				779
Net position - beginning - restated				\$ 4,183,735
Net position - end				\$ 4,193,105

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

Victor Public School, Ravalli County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 208,836	\$ 57,396	\$ 113,263	\$ 95,534	\$ 119,236	\$ 594,265
Taxes and assessments receivable, net	45,623	15,014	-	30,303	6,824	97,764
Accounts receivable - net	-	399	1,604	-	-	2,003
Due from other governments	-	-	-	-	47,470	47,470
Total assets	\$ 254,459	\$ 72,809	\$ 114,867	\$ 125,837	\$ 173,530	\$ 741,502
Current liabilities:						
Accounts payable	\$ 494	\$ -	\$ -	\$ -	\$ 669	\$ 1,163
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 45,623	\$ 15,014	\$ -	\$ 30,303	\$ 6,824	\$ 97,764
FUND BALANCES						
Restricted	\$ -	\$ 57,795	\$ 114,867	\$ 95,534	\$ 177,295	\$ 445,491
Assigned	51,987	-	-	-	-	51,987
Unassigned fund balance	156,355	-	-	-	(11,258)	145,097
Total fund balance	\$ 208,342	\$ 57,795	\$ 114,867	\$ 95,534	\$ 166,037	\$ 642,575

See accompanying Notes to the Financial Statements

Victor Public School, Ravalli County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 642,575
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,674,849
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	97,764
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,222,083)
Total net position - governmental activities	<u>\$ 4,193,105</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 396,316	\$ 163,992	\$ 25	\$ 267,384	\$ 171,719	\$ 999,436
County revenue	-	23,643	294,955	-	-	318,598
State revenue	1,828,824	23,929	-	27,739	31,190	1,911,682
Federal revenue	-	-	-	-	379,366	379,366
Total revenues	<u>\$ 2,225,140</u>	<u>\$ 211,564</u>	<u>\$ 294,980</u>	<u>\$ 295,123</u>	<u>\$ 582,275</u>	<u>\$ 3,609,082</u>
EXPENDITURES						
Instructional - regular	\$ 890,059	\$ -	\$ 181,162	\$ -	\$ 202,113	\$ 1,273,334
Instructional - special education	215,551	-	22,760	-	52,702	291,013
Instructional - vocational education	174,744	-	23,039	-	13,935	211,718
Instructional - adult education	-	-	400	-	4,071	4,471
Supporting services - operations & maintenance	300,752	-	16,281	-	13,791	330,824
Supporting services - general	78,368	358	10,698	-	6,861	96,285
Supporting services - educational media services	56,243	-	5,505	-	4,348	66,096
Administration - general	102,372	12,573	12,803	-	9,759	137,507
Administration - school	69,680	8,245	9,990	-	114	88,029
Administration - business	149,897	-	16,885	-	87,244	254,026
Student transportation	16,450	141,357	-	-	-	157,807
Extracurricular	101,769	-	11,537	-	-	113,306
School food	10,725	-	7,320	-	132,143	150,188
Debt service expense - principal	18,981	-	-	155,000	-	173,981
Debt service expense - interest	680	-	-	112,438	-	113,118
Capital outlay	10,800	15,047	-	-	8,000	33,847
Total expenditures	<u>\$ 2,197,071</u>	<u>\$ 177,580</u>	<u>\$ 318,380</u>	<u>\$ 267,438</u>	<u>\$ 535,081</u>	<u>\$ 3,495,550</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 28,069</u>	<u>\$ 33,984</u>	<u>\$ (23,400)</u>	<u>\$ 27,685</u>	<u>\$ 47,194</u>	<u>\$ 113,532</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 11,000	\$ 11,000
Transfers out	<u>(11,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>
Total other financing sources (uses)	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 17,069</u>	<u>\$ 33,984</u>	<u>\$ (23,400)</u>	<u>\$ 27,685</u>	<u>\$ 58,194</u>	<u>\$ 113,532</u>
Fund balances - beginning	\$ 191,338	\$ 23,811	\$ 138,267	\$ 67,849	\$ 106,999	\$ 528,264
Restatements	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844</u>	<u>779</u>
Fund balances - beginning, restated	<u>\$ 191,273</u>	<u>\$ 23,811</u>	<u>\$ 138,267</u>	<u>\$ 67,849</u>	<u>\$ 107,843</u>	<u>\$ 529,043</u>
Fund balance - ending	<u>\$ 208,342</u>	<u>\$ 57,795</u>	<u>\$ 114,867</u>	<u>\$ 95,534</u>	<u>\$ 166,037</u>	<u>\$ 642,575</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds	\$ 113,532
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	33,847
- Depreciation expense	(287,314)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	9,285
The change in compensated absences is shown as an expense in the Statement of Activities	(33,963)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	173,983
Change in net position - Statement of Activities	\$ <u><u>9,370</u></u>

See accompanying Notes to the Financial Statements

Victor Public School, Ravalli County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS				
Cash and short-term investments	\$	63,664	\$	77,288
Total assets	\$	63,664	\$	77,288
LIABILITIES				
Warrants payable	\$	-	\$	77,288
Total liabilities	\$	-	\$	77,288
NET POSITION				
Assets held in trust	\$	63,664		

See accompanying Notes to the Financial Statements

Victor Public School, Ravalli County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

		Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Student activities	\$	111,505
DEDUCTIONS		
Student activities	\$	117,790
Change in net position	\$	(6,285)
Net Position - Beginning of the year	\$	70,602
Restatements		(653)
Net Position - Beginning of the year - Restated	\$	69,949
Net Position - End of the year	\$	63,664

See accompanying Notes to the Financial Statements

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists.

Primary Government

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

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

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

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

Major Funds:

The District reports the following major governmental funds:

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Retirement – Authorized by Section 20-9-501, MCA for the purpose of financing the employer’s contribution to the Teacher’s Retirement System (TRS), the Public Employees’ Retirement System (PERS), Unemployment Compensation and Social Security. Funded by a county-wide levy for retirement.

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

Fiduciary Funds

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

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

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

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

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Ravalli County deposits and investments is available from Ravalli County Treasurer's office, 205 Bedford Street, Hamilton, Montana 59840. Fair value approximates carrying value for investments as of June 30, 2014. The Ravalli County external investment pool is not rated.

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

Deposits

The District's deposit balance at year end was \$63,664 and the bank balance was \$65,669. The District's bank balance was fully insured by FDIC at June 30, 2014.

NOTE 3. RECEIVABLES

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

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

NOTE 4. INVENTORIES

The costs of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

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

Buildings	30 – 50 years
Improvements	30 years
Equipment	5 – 30 years

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 22,512	\$ -	\$ 22,512
Other capital assets:			
Buildings	\$ 8,024,697	\$ 10,800	\$ 8,035,497
Improvements other than buildings	24,439	15,047	39,486
Machinery and equipment	751,755	8,000	759,755
Total other capital assets at historical cost	\$ 8,800,891	\$ 33,847	\$ 8,834,738
Less: accumulated depreciation	\$ (1,895,087)	\$ (287,314)	\$ (2,182,401)
Total	\$ 6,928,316	\$ (253,467)	\$ 6,674,849

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

Governmental Activities:	
Instructional – regular	\$ 2,791
Supporting services – operations and maintenance	22,851
Supporting services – educational media services	371
Administration – general	4,733
Extracurricular	731
Unallocated	<u>255,837</u>
Total governmental activities depreciation expense	\$ <u>287,314</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Governmental Activities:

	<u>Balance</u>		<u>Deletions/</u>	<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	<u>June 30, 2014</u>	<u>One Year</u>
General obligation bonds	\$ 2,880,000	\$ -	\$ (155,000)	\$ 2,725,000	\$ 160,000
Compensated absences	231,981	33,963	-	265,944	77,441
Intercap loans	72,720		(18,983)	53,737	13,224
Other post-employment benefits*	177,402	-	-	177,402	-
Total	<u>\$ 3,362,103</u>	<u>\$ 33,963</u>	<u>\$ (173,983)</u>	<u>\$ 3,222,083</u>	<u>\$ 250,665</u>

*See Note 7

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

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

<u>Purpose</u>	<u>Origination</u>	<u>Interest</u>	<u>Term</u>	<u>Principal</u>	<u>Annual</u>	<u>Balance</u>
	<u>Date</u>	<u>Rate</u>		<u>Amount</u>	<u>Payment</u>	<u>June 30, 2014</u>
Building Renovation	12/21/06	3.625-4.00%	20 yrs	\$ <u>3,600,000</u>	Varies	\$ <u>2,725,000</u>

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 160,000	\$ 107,275
2016	170,000	101,275
2017	175,000	94,900
2018	180,000	88,337
2019	190,000	81,362
2020	200,000	74,000
2021	205,000	66,000
2022	215,000	57,800
2023	225,000	49,200
2024	235,000	40,200
2025	245,000	30,800
2026	255,000	21,000
2027	270,000	10,800
Total	<u>\$ 2,725,000</u>	<u>\$ 822,949</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Retrofit Heating System	9/24/04	1.25-4.85%	10 yrs	8/15/14	\$ 103,918	\$ 5,875
Insulation Project & Remodel/Renovation Café	11/20/09	1.25-3.25%	10 yrs	2/15/20	<u>75,000</u>	<u>47,862</u>
Total					<u>\$ 178,918</u>	<u>\$ 53,737</u>

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 13,224	\$ 490
2016	7,590	377
2017	7,838	299
2018	8,095	221
2019	8,361	141
2020	8,629	61
Total	<u>\$ 53,737</u>	<u>\$ 1,589</u>

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Compensated Absences

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

A teacher shall earn sick leave at the rate of sixty eight (68) hours for each school year he/she is employed by the School District. Upon departure from the District, for reasons other than retirement, after at least ten (10) years of service with this District, the District shall, upon request of the teacher, pay the teacher for the unused portion of sick leave. The rate of such payment shall be one-quarter (1/4) of the teacher's salary for one day per each day of accrued sick leave, i.e. per each day of accrued sick leave. Such payment shall be made not later than July 5th of the year in which the teacher departs.

A teacher who has completed 16 years of certified services to the District or the equivalent as credited by their placement on the salary matrix, and is entering full-time retirement from the School District, is eligible to be paid by the District at a rate of one-half of the teacher's salary for each day of accrued sick leave. For eligibility for severance pay, a teacher must have served as a teacher in the School District for at least 10 years and must commence to receive benefits under the Montana Teacher's Retirement System.

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Actuarial Accrued Liability (AAL)	\$	257,750
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>257,750</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	2,422,496
UAAL as a percentage of covered payroll		11%

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

Annual Required Contribution (ARC)	\$	22,326
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	<u>22,326</u>
Contributions made		-
Increase in net OPEB obligation	\$	22,326
Net OPEB obligation - beginning of year		<u>177,402</u>
Net OPEB obligation - end of year	\$	<u>177,402</u>

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	4.00%
Average salary increase (Consumer Price Index)	2.00%

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2014	3.00%
2015	3.00%
2016	3.00%
2017	3.00%
2018	3.00%
2019	3.00%
2020	3.00%
2021	3.00%
2022	3.00%
2023 and after	3.00%

NOTE 8 INTERFUND TRANSFERS

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

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Fund compensated absences liability	Compensated Absences – Nonmajor Governmental	General – Major Governmental	\$ <u>11,000</u>

NOTE 9. STATE-WIDE RETIREMENT PLANS

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

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

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

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

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 19,577	\$ 101,019
2013	\$ 21,080	\$ 102,582
2014	\$ 23,227	\$ 120,900

NOTE 10. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 57,795	Student transportation
Retirement	114,867	Employer retirement benefits
Debt Service	95,534	Debt service
All other aggregate:		
	15,728	Administration – business
	3,287	Instructional – adult education
	23,982	Instructional – regular
	70,761	Third party grantor requirements
	38,123	Capital projects
	<u>25,414</u>	Debt service
	<u>\$ 445,491</u>	

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	<u>\$ 51,987</u>

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
School Food Services	\$ (11,150)	Fund was overspent and not corrected by June 30 by the General Fund support	Future collections

NOTE 13. JOINT VENTURES

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Special Education Cooperative

Victor Public Schools is a member of the Bitterroot Valley Special Education Cooperative. The Cooperative is comprised of six districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. The Board of the Cooperative is made up of the six district superintendents. Separate financial statements can be obtained from the Bitterroot Valley Education Cooperative, P.O. Box 187, Stevensville, MT 59870, (406 777-2494).

NOTE 14. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

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

VICTOR PUBLIC SCHOOLS
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

Victor Public School, Ravalli County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u> <u>BASIS) See Note A</u>	<u>WITH FINAL</u> <u>BUDGET</u>
RESOURCES (INFLOWS):				
Local revenue	\$ 398,623	\$ 398,623	\$ 396,226	\$ (2,397)
County revenue	-	-	-	-
State revenue	<u>1,800,200</u>	<u>1,826,346</u>	<u>1,826,347</u>	<u>1</u>
Amounts available for appropriation	\$ <u>2,198,823</u>	\$ <u>2,224,969</u>	\$ <u>2,222,573</u>	\$ <u>(2,396)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 959,400	\$ 985,547	\$ 885,395	\$ 100,152
Instructional - special education	216,641	216,641	216,591	50
Instructional - vocational education	126,872	126,872	178,485	(51,613)
Instructional - adult education	-	-	-	-
Supporting services - operations & maintenance	285,464	285,464	294,999	(9,535)
Supporting services - general	85,110	85,110	79,018	6,092
Supporting services - educational media services	52,424	52,424	58,360	(5,936)
Administration - general	123,582	123,582	101,759	21,823
Administration - school	81,589	81,589	69,674	11,915
Administration - business	117,444	117,444	152,848	(35,404)
Student transportation	-	-	16,450	(16,450)
Extracurricular	99,113	99,113	107,734	(8,621)
School food	31,984	31,984	10,725	21,259
Debt service expense - principal	18,500	18,500	18,981	(481)
Debt service expense - interest	700	700	680	20
Capital outlay	-	-	20,548	(20,548)
Other current charges	-	-	-	-
Total charges to appropriations	\$ <u>2,198,823</u>	\$ <u>2,224,970</u>	\$ <u>2,212,247</u>	\$ <u>12,723</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (11,000)	\$ (11,000)
Net change in fund balance			<u>(674)</u>	
Fund balance - beginning of the year			\$ 154,080	
Restatements			<u>(65)</u>	
Fund balance - beginning of the year - restated			<u>154,015</u>	
Fund balance - end of the year			<u><u>153,341</u></u>	

Victor Public School, Ravalli County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 169,923	\$ 169,923	\$ 163,992	\$ (5,931)
County revenue	23,645	23,645	23,643	(2)
State revenue	27,995	27,995	23,929	(4,066)
Amounts available for appropriation	\$ 221,563	\$ 221,563	\$ 211,564	\$ (9,999)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	2,340	2,340	-	2,340
Instructional - vocational education	-	-	-	-
Instructional - adult education	-	-	-	-
Supporting services - operations & maintenance	15,047	15,047	-	15,047
Supporting services - general	13,920	13,920	358	13,562
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	12,573	(12,573)
Administration - school	-	-	8,245	(8,245)
Administration - business	7,412	7,412	-	7,412
Student transportation	182,844	182,844	141,357	41,487
Extracurricular	-	-	-	-
School food	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	15,047	(15,047)
Other current charges	-	-	-	-
Total charges to appropriations	\$ 221,563	\$ 221,563	\$ 177,580	\$ 43,983
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ 33,984	
Fund balance - beginning of the year			\$ 23,811	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 23,811	
Fund balance - end of the year			\$ 57,795	

Victor Public School, Ravalli County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ 38	\$ 25	\$ (13)
County revenue	294,956	294,996	294,955	(41)
State revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 294,956</u>	<u>\$ 295,034</u>	<u>\$ 294,980</u>	<u>\$ (54)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ 181,162	\$ (181,162)
Instructional - special education	-	-	22,760	(22,760)
Instructional - vocational education	-	-	23,039	(23,039)
Instructional - adult education	-	-	400	(400)
Supporting services - operations & maintenance	-	-	16,281	(16,281)
Supporting services - general	-	-	10,698	(10,698)
Supporting services - educational media services	-	-	5,505	(5,505)
Administration - general	-	-	12,803	(12,803)
Administration - school	-	-	9,990	(9,990)
Administration - business	-	-	16,885	(16,885)
Student transportation	-	-	-	-
Extracurricular	-	-	11,537	(11,537)
School food	-	-	7,320	(7,320)
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	361,050	361,050	-	361,050
Total charges to appropriations	<u>\$ 361,050</u>	<u>\$ 361,050</u>	<u>\$ 318,380</u>	<u>\$ 42,670</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			<u>\$ (23,400)</u>	
Fund balance - beginning of the year			\$ 138,267	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 138,267</u>	
Fund balance - end of the year			<u><u>\$ 114,867</u></u>	

Victor Public School, Ravalli County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,222,573	\$ 211,564	\$ 294,980
Combined funds (GASBS 54) revenues	2,567	-	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 2,225,140	\$ 211,564	\$ 294,980
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,212,247	\$ 177,580	\$ 318,380
Combined funds (GASBS 54) expenditures	7,622	-	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			
- Encumbrances reported at the beginning of the year	29,189	-	-
- Encumbrances reported at the end of the year	(51,987)	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 2,197,071	\$ 177,580	\$ 318,380

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) net Credit Cost Methc (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 257,750	\$ 257,750	0%	\$ 1,608,644	16%
July 1, 2012	\$ -	\$ 257,750	\$ 257,750	0%	\$ 2,422,496	11%

SUPPLEMENTAL INFORMATION

**Victor Public Schools
Ravalli County, Montana
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014**

Spring Enrollment - February, 2014

Elementary School District

	SPRING Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten - Full	27	27	0
Kindergarten - Part	0	0	0
Grades 1-6	146	146	0
Grades 7-8	61	61	0
Total Elementary	234	234	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

High School District

	SPRING Per Enrollment Reports	Audit Per District Records	Difference
Grades 9-12	113	113	0
19 year-olds	0	0	0
Early Graduates	0	0	0
Job Corps students	1	1	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	0	1	0	0	0	1	0

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

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
2014-Seniors	\$ 5,780	\$ 3,354	\$ 8,475	\$ (659)	\$ -
2015-Seniors	4,004	3,626	929	952	7,653
2016-Juniors	243	-	-	-	243
2017-Sophomores	790	587	512	50	915
2018-Freshman	281	109	51	-	339
2019-8th Grade	20	-	-	-	20
Advertisement Funds	2,385	8,911	6,830	-	4,466
BPA -Business Professionals	922	7,345	7,458	-	809
Change Fund	800	-	800	-	-
Concessions	1,948	8,005	7,285	430	3,098
Concession Trades	5,698	1,528	1,901	83	5,408
Credit Card Clearing Fund	-	3,260	1,749	(1,506)	5
Donations	318	47	1	-	364
Drama	3,330	1,363	1,316	-	3,377
Family Resource Center	537	-	2	-	535
Fax/Photocopies	5	65	-	-	70
FFA - Future Farmers of America	3,029	17,629	18,269	(10)	2,379
Foreign Language	5,723	9,984	9,379	121	6,449
General Athletics	5,477	19,402	22,038	349	3,190
Greater Ravalli County Foundation	1,226	2,258	2,210	(6)	1,268
GRF Supplies Greater Ravalli	1,505	2,401	1,824	-	2,082
GSK Glaxo Smith Kline	185	1,500	357	(123)	1,205
Healthy Families and Wellness	204	-	1	-	203
HS Student Council	1,926	885	1,208	(515)	1,088
K5 - Teachers K-5	867	158	469	150	706
Library: Other	19	3,642	1,751	(59)	1,851

Victor Public Schools
Ravalli County, Montana
EXTRACURRICULAR FUND

SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS - Continued
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
Library: Lost Books	\$ 199	\$ 193	\$ 41	\$ -	\$ 351
Lifeskills - Special Ed	1,561	2,550	1,711	7	2,407
Lost District Books	1	196	30	-	167
Math Counts	8	-	-	-	8
MS Boys Basketball	606	-	95	-	511
MS Football	92	-	-	-	92
MS Girls Basketball	1	-	-	-	1
MS Student Council	158	-	-	-	158
MS Volleyball	715	-	2	-	713
MS Yearbook	640	-	602	-	38
Music	1,246	1,866	2,281	-	831
Music-Festival	182	-	1	-	181
National Honor Society (NHS)	9	210	199	-	20
Operation Green Thumb (OGT)	136	2,495	2,631	-	-
PBIS-Positive Behavior Intervention	244	-	159	-	85
Pep Club	100	625	136	-	589
Revolving-Other	5,716	1,417	2,256	-	4,877
Scholarship-Coca-Cola/Pepsi-Cola	260	250	251	-	259
Scholarship-Football Donation	-	-	-	-	-
Scholarship Frau Good Memorial	12	-	-	-	12
Science Olympiad	670	54	148	-	576
Ski P.E.	617	735	1,013	-	339
Special Olympics	1,265	1,730	1,909	(118)	968
Student Assistance	2	-	-	-	2
Title IX - Sports	8,291	601	7,048	-	1,844
Umbrella of the Arts	8	-	-	-	8
Yearbook	644	3,302	3,139	97	904
Total	<u>\$ 70,605</u>	<u>\$ 112,283</u>	<u>\$ 118,467</u>	<u>\$ (757)</u>	<u>\$ 63,664</u>

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

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

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

Board of Trustees
Victor Public Schools
Ravalli County
Victor, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Public Schools, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Victor Public Schools' basic financial statements and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Victor Public Schools, Ravalli County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Victor Public Schools, Ravalli County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Victor Public Schools' internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item 2014-001.

2014-001 Incorrect Calculation of Other Post-Employment Benefits (OPEB) Actuarial Accrued Liability (AAL)

Condition:

In calculating the net OPEB liability for the year ending June 30, 2014 Victor Public Schools has elected to perform the alternative measurements method. The alternative measurements method allows for a simplification of assumptions so that the Actuarial Accrued Liability (AAL) can be calculated by a non-professional.

In preparing the alternative measurements method in 2014 the District changed the discount rate from 1% to 5.25%, health care cost trend to a flat 3%, and did not properly account for current employees health care premium costs (as compared to the calculation prepared in 2010). This has resulted in the District calculating an AAL of \$177,402 as compared to the AAL of \$257,750 calculated in 2009.

Criteria:

The District is required to prepare an alternative measurements method which includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). In addition, assumptions used in the preparation should be reasonably based on District Census information.

Effect:

The net OPEB obligation at year end was understated by approximately \$80,348.

Cause:

As noted in the condition above, the use of unreasonable assumptions has resulted in an AAL \$80,348 less than previous alternative measurements method calculations.

Recommendation:

We recommend that the District re-evaluate assumptions used in the calculation of OBEB for fiscal year 2015 and re-evaluate the method used to ensure that the method includes all proper information and calculations.

Auditee Response:

The District accepts the recommendation of the auditor. The District will research and apply valid assumptions for the 2015 audit.

Compliance and Other Matters

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

Victor Public Schools' Response to Findings

Victor Public Schools's response to the findings identified in our audit is described above. Victor Public Schools's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Denning, Downey and Associates, CPA's, P.C.

March 31, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Victor Public Schools
Ravalli County
Victor, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Incorrect Calculation of Other Post Employment Benefits (OPEB) Annual Required Contribution (ARC)	Repeated

Denning, Downey and Associates, CPA's, P.C.

March 31, 2015