

WEST VALLEY PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

WEST VALLEY PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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WEST VALLEY PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Rochelle Nicholson
Stephanie Nadasi
Helena Lyford
Cory Hill
Jane Wheeler

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Cal Ketchum
Cindy Foley
Marcia Sheffels
Ed Corrigan

District Superintendent
Business Manager
County Superintendent
County Attorney

WEST VALLEY SCHOOL DISTRICT NO. 1
FLATHEAD COUNTY, KALISPELL, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SCHOOL YEAR 2013-2014

The West Valley School District's Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

The District's net position for the fiscal year that ended on June 30, 2014 was \$ 2,062,156. The District has been experiencing consistent growth for the past several years and the need for more space to educate was desperately needed. The District passed a \$6.8 million bond issue in November of 2013 and bonds were sold in January of 2014 through D.A. Davidson. The district moved forward in the planning of a 36,000 square foot expansion of the current building footprint with ground breaking to occur in August of 2014.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a long-term view of the District's finances.

Fund financial statements present a short-term view of the District's activities. They present detailed information about the District's general fund and certain other funds. There is also summarized financial information about the student activity fund for which the District acts as a trustee.

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital-assets), which is similar to the basis of accounting used by most private-sector companies. The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, we need to consider other non-financial factors in making an assessment of the District's health, such as changes in enrollment, changes in State's funding of educational costs and changes in land development in the schools district and surrounding areas to assess the overall health of the District.

The District's Net Position:

	<u>FY13</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 921,751	\$,549,628	\$ 6,627,877
Capital assets	2,507,982	2,901,112	393,130
Total assets	<u>3,429,733</u>	<u>10,450,740</u>	<u>7,021,007</u>
Long-term debt outstanding	\$ 1,328,771	\$ 8,061,124	\$ 6,732,353
Other liabilities	-	327,460	327,460
Total liabilities	<u>1,328,771</u>	<u>8,388,584</u>	<u>7,059,813</u>
Net position:			
Net invest in capital assets	1,987,982	2,230,723	242,741
Restricted	554,139	7,074,240	6,520,101
Unrestricted (deficit)	<u>(441,159)</u>	<u>(7,242,807)</u>	<u>(6,801,648)</u>
Total net position	<u>\$ 2,100,962</u>	<u>\$ 2,062,156</u>	<u>\$ (38,806)</u>

Changes in Net Position:

	<u>FY13</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 63,829	\$ 55,931	(7,898)
Operating grants and contributions	376,893	366,116	(10,777)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,219,726	1,203,156	(16,570)
Grants and entitlements not restricted to specific programs	2,063,271	2,270,910	207,639
Investment earnings	4,162	22,218	18,056
Miscellaneous (other revenue)	45,199	90,041	44,842
State entitlement (block grants)	67,798	57,257	(10,541)
County retirement	352,588	401,181	48,593
Total revenues	<u>\$ 4,193,466</u>	<u>\$ 4,466,810</u>	<u>\$ 273,344</u>

Expenses:**Program expenses**

Instructional - regular	\$ 2,208,133	\$ 2,522,825	\$ 314,692
Instructional - special education	\$ 360,060	\$ 364,187	4,127
Instructional - adult education	\$ 4,513	\$ 6,971	2,458
Supporting services - operations & maintenance	\$ 328,949	\$ 334,220	5,271
Supporting services - general	\$ 82,982	\$ 99,232	16,250
Supporting services - educational media services	\$ 181,690	\$ 228,135	46,445
Administration - general	\$ 196,694	\$ 205,371	8,677
Administration - school	\$ 126,037	\$ 149,007	22,970
Administration - business	\$ 73,805	\$ 90,191	16,386
Student transportation	\$ 212,073	\$ 262,758	50,685
Extracurricular	\$ 35,565	\$ 28,802	6,763)
School food	\$ 128,507	\$ 114,238	14,269)
Community Services	\$ 1,000	\$ 1,000	-
Debt service expense - interest	\$ 17,025	\$ 12,075	4,950)
Unallocated depreciation*	\$ 95,403	\$ 89,008	6,395)
Total expenses	\$ 4,052,436	\$ 4,508,020	\$ 55,584
Increase (decrease) in net position	\$ 141,030	\$ (41,210)	\$ (182,240)

Some of the significant changes in the District's revenues were as follows:

	2013	2014	% Increase	Difference
General Fund	\$2,873,702	\$3,103,480	7.99	\$ 229,778
Food Services	\$ 125,070	\$ 105,292	-18.78	\$(19,778)
Transportation Fund	\$ 255,946	\$ 272,759	6.56	\$ 16,813
Retirement Fund	\$ 353,154	\$ 401,670	13.73	\$ 48,516
Student Activity	\$ 91,911	\$ 91,388	-.57	\$ 523

In addressing the most significant increases/decreases in revenues, the General Fund increased due to continued growth in student enrollment/ANB; the Food Services Fund revenue decreased, as did the overall expenses, due to fewer meals contracted for through Evergreen Schools; the Transportation Fund revenues increased as special needs student transport increased; the Retirement Fund increased due to additional staff; and the revenues in Student Activity decreased slightly from the prior year.

Other significant activity that should be noted is the Building Fund increased \$6,986,623.90 due to sale of bonds and the interest earned was \$17,404.

THE FUTURE OF THE DISTRICT

The West Valley School District has continued with enrollment increases and with voters approving the \$6.8 bond issue in November of 2013, it allowed the District to plan far into the future. The District continues to grow in students, commercial growth, as well as residential growth.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional information, contact the District Clerk's Office at West Valley School District #1, 2290 Farm to Market Road, Kalispell, Montana, 59901, 406-755-7239.

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
West Valley Public School
Flathead County
Kalispell, 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 West Valley Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as 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 West Valley Public School, Flathead 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 West Valley Public School, Flathead County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 5, 34 through 35, and 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 the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the West Valley Public School, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Valley Public School, Flathead County, Montana's internal control over financial reporting and compliance.

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

June 18, 2015

West Valley Public School, Flathead County, Montana
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 7,437,541
Taxes and assessments receivable, net	81,310
Due from other governments	30,777
Total current assets	\$ 7,549,628
Noncurrent assets	
Capital assets - land	\$ 119,673
Capital assets - construction in progress	405,389
Capital assets - depreciable, net	2,376,050
Total noncurrent assets	\$ 2,901,112
Total assets	\$ 10,450,740
LIABILITIES	
Current liabilities	
Accounts payable	\$ 79,637
Bond Premium	12,391
Current portion of long-term liabilities	10,600
Current portion of long-term capital liabilities	265,000
Current portion of compensated absences payable	31,653
Total current liabilities	\$ 399,281
Noncurrent liabilities	
Bond Premium	\$ 235,432
Noncurrent portion of long-term liabilities	801,637
Noncurrent portion of long-term capital liabilities	6,800,000
Noncurrent portion of compensated absences	152,234
Total noncurrent liabilities	\$ 7,989,303
Total liabilities	\$ 8,388,584
NET POSITION	
Net investment in capital assets	\$ 2,230,723
Restricted for capital projects	6,611,169
Restricted for debt service	168,803
Restricted for special projects	290,995
Restricted for other purposes	869
Unrestricted	(7,240,403)
Total net position	\$ 2,062,156

See accompanying Notes to the Financial Statements

West Valley Public School, Flathead 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 Changes in Net Position</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:				<u>Governmental Activities</u>
Instructional - regular	\$ 2,522,825	\$ -	\$ 145,967	\$ (2,376,858)
Instructional - special education	364,187	11,606	103,365	(249,216)
Instructional - adult education	6,971	-	-	(6,971)
Supporting services - operations & maintenance	334,220	-	-	(334,220)
Supporting services - general	99,232	-	-	(99,232)
Supporting services - educational media services	228,135	-	-	(228,135)
Administration - general	205,371	-	-	(205,371)
Administration - school	149,007	-	-	(149,007)
Administration - business	90,191	-	-	(90,191)
Student transportation	262,758	-	55,846	(206,912)
Extracurricular	28,802	-	-	(28,802)
School food	114,238	44,325	60,938	(8,975)
Community services	1,000	-	-	(1,000)
Debt service expense - interest	12,075	-	-	(12,075)
Unallocated depreciation*	89,008	-	-	(89,008)
Total primary government	\$ 4,508,020	\$ 55,931	\$ 366,116	\$ (4,085,973)
General Revenues:				
Property taxes for general purposes			\$	1,203,156
Grants and entitlements not restricted to specific programs				2,270,910
Investment earnings				22,218
Miscellaneous (other revenue)				90,041
State entitlement (block grants)				57,257
County retirement				401,181
Total general revenues, special items and transfers			\$	4,044,763
Change in net position			\$	(41,210)
Net position - beginning			\$	2,100,962
Restatements				2,404
Net position - beginning - restated			\$	2,103,366
Net position - end			\$	2,062,156

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

West Valley Public School, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 342,868	\$ 6,686,339	\$ 408,334	\$ 7,437,541
Taxes and assessments receivable, net	55,287	-	26,023	81,310
Due from other governments	-	-	30,777	30,777
Total assets	<u>\$ 398,155</u>	<u>\$ 6,686,339</u>	<u>\$ 465,134</u>	<u>\$ 7,549,628</u>
Current liabilities:				
Accounts payable	\$ -	\$ 79,637	\$ -	\$ 79,637
Total liabilities	<u>\$ -</u>	<u>\$ 79,637</u>	<u>\$ -</u>	<u>\$ 79,637</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	\$ 55,287	\$ -	\$ 26,023	\$ 81,310
FUND BALANCES				
Restricted	\$ -	\$ 6,606,702	\$ 439,111	\$ 7,045,813
Assigned	4,705	-	-	4,705
Unassigned fund balance	338,163	-	-	338,163
Total fund balance	<u>\$ 342,868</u>	<u>\$ 6,606,702</u>	<u>\$ 439,111</u>	<u>\$ 7,388,681</u>

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	\$ 7,388,681
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,901,112
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.	81,310
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(8,308,947)
Total net position - governmental activities	<u>\$ 2,062,156</u>

See accompanying Notes to the Financial Statements

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

	General	Building	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local revenue	\$ 760,629	\$ 17,405	\$ 612,377	\$ 1,390,411
County revenue	-	-	429,104	429,104
State revenue	2,342,851	-	125,501	2,468,352
Federal revenue	-	-	198,007	198,007
Total revenues	\$ 3,103,480	\$ 17,405	\$ 1,364,989	\$ 4,485,874
EXPENDITURES				
Instructional - regular	\$ 1,748,608	\$ 60	\$ 512,121	\$ 2,260,789
Instructional - special education	253,262	-	110,925	364,187
Instructional - adult education	-	-	6,971	6,971
Supporting services - operations & maintenance	308,935	-	21,409	330,344
Supporting services - general	86,656	-	12,576	99,232
Supporting services - educational media services	194,977	-	23,540	218,517
Administration - general	138,944	-	58,114	197,058
Administration - school	117,424	-	31,583	149,007
Administration - business	80,555	-	9,636	90,191
Student transportation	5,696	-	257,062	262,758
Extracurricular	25,380	-	3,422	28,802
School food	787	-	109,571	110,358
Community services	-	-	1,000	1,000
Debt service expense - principal	-	-	255,000	255,000
Debt service expense - interest	-	-	12,075	12,075
Capital outlay	107,699	405,388	5,817	518,904
Total expenditures	\$ 3,068,923	\$ 405,448	\$ 1,430,822	\$ 4,905,193
Excess (deficiency) of revenues over expenditures	\$ 34,557	\$ (388,043)	\$ (65,833)	\$ (419,319)
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ 6,986,623	\$ -	\$ 6,986,623
Total other financing sources (uses)	\$ -	\$ 6,986,623	\$ -	\$ 6,986,623
Net Change in Fund Balance	\$ 34,557	\$ 6,598,580	\$ (65,833)	\$ 6,567,304
Fund balances - beginning	\$ 308,311	\$ 8,122	\$ 504,944	\$ 821,377
Fund balance - ending	\$ 342,868	\$ 6,606,702	\$ 439,111	\$ 7,388,681

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds \$ 6,567,304

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	518,904
- Depreciation expense	(128,178)

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)	(19,064)
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The change in compensated absences is shown as an expense in the Statement of Activities

(22,057)

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	270,900
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Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(6,986,623)
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(181,196)
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Underwriter Discount on Building Bond	(61,200)
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Change in net position - Statement of Activities	\$ <u>(41,210)</u>
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See accompanying Notes to the Financial Statements

West Valley Public School, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 41,730	\$ 104,340
Total assets	\$ 41,730	\$ 104,340
LIABILITIES		
Warrants payable	\$ -	\$ 104,340
Total liabilities	\$ -	\$ 104,340
NET POSITION		
Assets held in trust	\$ 41,730	

See accompanying Notes to the Financial Statements

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

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>91,388</u>
Total additions	\$	<u>91,388</u>
 DEDUCTIONS		
Student activities	\$	<u>96,255</u>
Total deductions	\$	<u>96,255</u>
Change in net position	\$	<u>(4,867)</u>
 Net Position - Beginning of the year	 \$	 46,597
 Net Position - End of the year	 \$	 <u><u>41,730</u></u>

See accompanying Notes to the Financial Statements

WEST VALLEY PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Primary Government

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

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

WEST VALLEY PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

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

Major Funds:

The District reports the following major governmental funds:

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

Building Fund – The Building Fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

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.

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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 certificates of deposit, U.S. Government Securities and Federal mortgage backed investments. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. The Flathead County investment pool is not rated.

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

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 \$41,730 and the bank balance was \$47,857. The District's deposits at year-end were 100% insured by FDIC.

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.

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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 cost 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 and Building Improvements	7 – 50 years
Improvements	3 - 20 years
Equipment	5 - 20 years

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

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 119,673	\$ -	\$ -	\$ 119,673
Construction in progress	-	405,389	-	405,389
Total capital assets not being depreciated	<u>\$ 119,673</u>	<u>\$ 405,389</u>	<u>\$ -</u>	<u>\$ 525,062</u>
Other capital assets:				
Buildings	\$ 3,338,604	\$ 5,500	\$ -	\$ 3,344,104
Improvements other than buildings	158,628	58,900	-	217,528
Machinery and equipment	403,965	49,115	-	453,080
Total other capital assets at historical cost	<u>\$ 3,901,197</u>	<u>\$ 113,515</u>	<u>\$ -</u>	<u>\$ 4,014,712</u>
Less: accumulated depreciation	<u>\$ (1,512,888)</u>	<u>\$ (128,178)</u>	<u>\$ 2,404</u>	<u>\$ (1,638,662)</u>
Total	<u><u>\$ 2,507,982</u></u>	<u><u>\$ 390,726</u></u>	<u><u>\$ 2,404</u></u>	<u><u>\$ 2,901,112</u></u>

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

Governmental Activities:	
Instructional – regular	\$ 13,483
Supporting services – operations and maintenance	3,876
Supporting services – educational media services	9,618
Administration – general	8,313
School food	3,880
Unallocated	<u>89,008</u>
Total governmental activities depreciation expense	<u><u>\$ 128,178</u></u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are amortized over the term of the bond .

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.

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

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 520,000	\$ 6,800,000	\$ (255,000)	\$ 7,065,000	\$ 265,000
Compensated absences	161,830	22,057		183,887	31,653
Retirement Incentive	26,500		(15,900)	10,600	10,600
Other post-employment benefits*	620,441	181,196		801,637	
Total	<u>\$ 1,328,771</u>	<u>\$ 7,003,253</u>	<u>\$ (270,900)</u>	<u>\$ 8,061,124</u>	<u>\$ 307,253</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 Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Series 2010 Refunding Bonds	4/28/10	2-2.5%	5 yrs	7/1/15	\$ 1,255,000	Varies	\$ 265,000
Series 2014 Building Bond	1/30/14	1.75- 4.25%	20 yrs	7/1/34	<u>6,800,000</u>	Varies	<u>6,800,000</u>
					<u>\$ 8,055,000</u>		<u>\$ 7,065,000</u>

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Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 265,000	\$ 333,149
2016	270,000	232,770
2017	280,000	221,970
2018	290,000	216,370
2019	295,000	210,570
2020	305,000	201,720
2021	330,000	196,382
2022	315,000	187,782
2023	325,000	180,536
2024	335,000	170,786
2025	345,000	160,736
2026	355,000	150,386
2027	365,000	139,736
2028	380,000	125,136
2029	395,000	109,936
2030	405,000	94,136
2031	425,000	76,924
2032	445,000	58,862
2033	460,000	39,950
2034	480,000	20,400
Total	<u>\$ 7,065,000</u>	<u>\$ 3,128,237</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees and 13 days per year (accumulating to a maximum of 75 days) for teaching staff. 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.

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

Special Retirement Benefits

The District offers early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The District recorded a liability of \$10,600, for retirement incentives due as of June 30, 2014. Two options are offered and described below:

Under the provisions of the first option, any teacher resigning from the District who qualifies for benefits from the Montana Teachers' Retirement System (TRS) and who has 15 years of service at the District may qualify to receive a retirement bonus according to the chart below. No retirees have chosen this option as of June 30, 2014.

Years of Service	Bonus
25, 26, 27	\$3,500
28, 29, 30	\$5,000
31+	\$7,500

A second option is offered to any teacher retiring or resigning from the District who qualified for benefits with 25 years in the Montana TRS and 15 (or greater) years of service at the District may continue to participate in the District's health insurance program. The District will pay toward the premium an amount equal to the District's monthly premium contribution at the same rate paid during the next school year after which the retiring or resigning teacher taught (single coverage). The District shall continue payment of the insurance premium for three (3) years. The retired teacher will be responsible for increased cost in premium over the base amount established at retirement or resignation. Three teachers chose this option in fiscal year 2014.

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.

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

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

Actuarial Accrued Liability (AAL)	\$ 1,446,885
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,446,885</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,245,181
UAAL as a percentage of covered payroll	64.44%

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)	\$ 181,196
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	\$ 181,196
Contributions made	<u>0</u>
Increase in net OPEB obligation	\$ 181,196
Net OPEB obligation - beginning of year	<u>620,441</u>
Net OPEB obligation - end of year	<u>\$ 801,637</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)	62
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	2.8%

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

<u>Year</u>	<u>% Increase</u>
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and thereafter	6.9%

NOTE 8. 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.

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.

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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	\$ 17,240	\$ 148,956
2013	\$ 18,394	\$ 147,238
2014	\$ 24,641	\$ 181,069

NOTE 9. 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.

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Building	\$ 6,606,702	Capital projects
All other aggregate:		
	58,904	Student transportation services
	4,385	Bus replacement
	365	School food services
	3,543	Instruction services
	115,261	Employer portion of employee benefits
	71,124	Third party grant restrictions
	12,524	Adult education services
	8,430	Operations and maintenance services
	11,799	Vacation and sick leave future payments
	5,062	Technology upgrades
	146,845	Debt service
	<u>869</u>	Endowments
Total	\$ <u>7,045,813</u>	

Other Significant Commitments

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of the Commitment</u>
General	\$ <u>4,705</u>	Encumbrances

NOTE 11. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental	\$ <u>2,404</u>	Capital asset adjustment

NOTE 12. 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.

The District is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The District's contribution to the Cooperative was \$8,966 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

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The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$10,484 for fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

The District is a member district of the Flathead County Program of Students with Severe Communications Disorders. This program is a collaborative effort by several school districts of Flathead County to meet the needs of students who have severe communication needs with accompanying behavior and learning difficulties. The goal of the program is to provide a positive environment to meet the unique needs of children and adolescents in these areas. The collaborative effort allows resources to be shared reducing the fiscal impact of these services on each district individually. The member districts provide fiscal responsibility to the Host District in the form of participation and placement fees, and special education tuition. All monies collected and spent on this program are handled through the Interlocal Agreement Fund at the Host District.

The District entered into an Interlocal Agreement with Flathead Crossroads to provide a positive environment to meet the unique education needs of students with severe emotional and behavioral needs. The Cooperative is administered by a management board comprised of authorized representatives of the Participating Districts. The Management Board hires a Program Director and appoints an Advisory Board to be comprised of the special education directors from the participating districts. The Prime Fiscal Agent is the Evergreen School District #50, Flathead County, Montana. The District pays a participation fee of \$2.00 per ANB count based on the Spring count for grades 1 through 8. The District also pays a placement fee of \$400.00 for each student enrolled in the Program. Participating Districts are then charged tuition for each student placed in the program based on the actual costs incurred in the operating of the program.

NOTE 13. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

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NOTE 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.

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.

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June 30, 2014

NOTE 15. SUBSEQUENT EVENTS

The District is currently undergoing significant construction. In January of 2014 the District began planning for an addition and remodel of the school. In January of 2014 the District passed a General Obligation Bond for the project. The money received consisted of the \$6,800,000 in General Obligation Bond and \$186,623 in premiums and discounts, totaling to \$6,986,624. The project is expected to require 100% of the funding provided by the bond. Construction for the addition began in August 2014 and is expected to be completed in August of 2015. As of April 2015 the project costs have totaled just over \$4,200,000.

**REQUIRED SUPPLEMENTAL
INFORMATION**

West Valley Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 750,085	\$ 750,085	\$ 760,451	\$ 10,366
State revenue	2,337,986	2,337,986	2,337,987	1
Amounts available for appropriation	\$ 3,088,071	\$ 3,088,071	\$ 3,098,438	\$ 10,367
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 1,772,672	\$ 1,772,672	\$ 1,747,855	\$ 24,817
Instructional - special education	261,412	261,412	251,145	10,267
Supporting services - operations & maintenance	321,885	321,885	301,613	20,272
Supporting services - general	84,392	84,392	86,656	(2,264)
Supporting services - educational media services	176,074	176,074	184,565	(8,491)
Administration - general	168,193	168,193	139,425	28,768
Administration - school	121,980	121,980	117,424	4,556
Administration - business	65,986	65,986	80,555	(14,569)
Student transportation	9,696	9,696	9,696	-
Extracurricular	28,945	28,945	25,380	3,565
School food	-	-	787	(787)
Capital outlay	67,870	67,870	84,260	(16,390)
Total charges to appropriations	\$ 3,079,105	\$ 3,079,105	\$ 3,029,361	\$ 49,744
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (8,966)	\$ (8,966)	-	\$ 8,966
Total other financing sources (uses)	\$ (8,966)	\$ (8,966)	-	\$ 8,966
Net change in fund balance			\$ 69,077	
Fund balance - beginning of the year			\$ 251,819	
Fund balance - end of the year			\$ 320,896	

West Valley Public School, Flathead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,098,438
Combined funds (GASBS 54) revenues	5,042
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	<u>\$ 3,103,480</u>
Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,029,361
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	44,266
- Encumbrances reported at the end of the year	(4,704)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,068,923</u>

West Valley Public School, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 1,056,474	\$ 1,056,474	0%	\$ 1,558,265	68%
July 1, 2012	\$ -	\$ 1,446,885	\$ 1,446,885	0%	\$ 2,245,181	64%

SUPPLEMENTAL INFORMATION

WEST VALLEY PUBLIC SCHOOL
Flathead County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014

Fall Enrollment - October, 2013

Elementary School District

FALL		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	61	61
Grades 1-6	374	374
Grades 7-8	112	112
Total Elementary	547	547

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	
1-6	1	0	0	0	1	0	0	0	0

Winter Enrollment - December, 2013

Elementary School District

WINTER		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	62	62
Grades 1-6	375	375
Grades 7-8	112	112
Total Elementary	549	549

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	
1-6	1	0	0	0	1	0	0	0	0

Spring Enrollment - February, 2014

Elementary School District

SPRING		
Per Enrollment	Audit Per	
<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten - Full	62	62
Grades 1-6	379	379
Grades 7-8	111	111
Total Elementary	552	552

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	
1-6	0	0	0	0	0	0	0	0	0

West Valley Public School
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Kindergarten-Loveless	\$ 167	\$ 120	\$ 143	\$ -	\$ 144
First-Hedstrom	443	236	553	-	126
First-Ruonavaara	230	329	481	-	78
Kindergarten - Johnson	144	127	155	-	116
First-Spicer	178	164	142	-	200
Second-M. Briney	39	-	127	96	8
Second - Hazen	26	-	91	96	31
Third - Becky Davis	398	44	206	-	236
Third - Schwarz	150	36	186	-	-
4th - Hampton	99	89	112	-	76
5th - Gregorash	97	63	159	-	1
5th - Besaw	110	-	147	37	-
4th/5th - Jewett/Pitts	53	70	131	8	-
Second - Farnes	26	288	196	(118)	-
Sixth - Dover	-	699	318	-	381
Sixth - Romagnuolo	315	1,284	204	-	1,395
Sixth Grd - Big Creek	2,234	6,683	7,545	-	1,372
Seventh Gr Trip Acct	-	-	-	-	-
Seventh Grd - Hanson	392	-	-	-	392
Seventh Grd - Anthony	134	-	-	-	134
Seventh Grd - Iannucci	67	-	-	-	67
Eighth Gr Trip Acct	4,879	24,559	22,737	-	6,701
Eighth Grd - Bodman	187	692	548	-	331
Eighth Grd - Gates	205	-	17	-	188
Eight Grd - Art	52	-	-	-	52
Library	212	1,130	1,477	430	295
Student Store	1,477	107	-	-	1,584
Football Program	-	9,145	12,186	4,241	1,200
Annual	2,394	3,952	3,393	-	2,953
Student Council	1,321	4,285	4,078	(1,230)	298
Pop machine	9,287	7,628	7,419	(3,440)	6,056
Music-Band Program	13,072	11,069	14,213	-	9,928
Family Emergency	66	-	-	-	66
Special Education	415	291	120	-	586
Basketball	2,452	7,649	9,178	-	923
PE Measure	1,510	9,716	8,695	-	2,531
Third - Belanger	119	-	167	48	-
JumpRope	449	-	296	-	153
4th - McDonald	138	331	337	(9)	123
Donation Fund	189	50	35	-	204
Admin	950	-	60	-	890
Kindergarten - Kowalka	142	120	138	-	124
Original Works	1,607	-	-	(159)	1,448
5th - Gena Wilson	15	273	140	-	148
6th - C. Anderson	157	160	126	-	191
Total	\$ <u>46,597</u>	\$ <u>91,389</u>	\$ <u>96,256</u>	\$ <u>-</u>	\$ <u>41,730</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
West Valley Public School
Flathead County
Kalispell, 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 West Valley Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the West Valley Public School's basic financial statements and have issued our report thereon dated June 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 18, 2015