

GARDINER SCHOOL DISTRICT NO. 7 AND 4

Financial Statements

June 30, 2014

**Gardiner School District No. 7 and 4**  
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**June 30, 2014**

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GARDINER SCHOOL DISTRICT NO. 7 AND 4

2013 – 2014  
ORGANIZATION

BOARD OF TRUSTEES

Bob Furhmann	Chair
Tami Blackford	Vice Chair
Holly Long	Trustee
Patricia Baltzley	Trustee
Missy Miculka	Trustee
Dan Rhodes	Trustee
Steve Bierle	Trustee
Victoria Byrd	Trustee

OFFICERS

JT Stroder	District Superintendent
Tamara Cunningham	District Clerk



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Gardiner School District No. 7 and 4

### 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 Gardiner School District No. 7 and 4 ("the District"), 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 the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the District 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 on pages 5 to 13 and budgetary comparison information and supplemental schedule of employee group benefit plan information on pages 42 to 44 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 supplemental information listed in the Table of Contents as required by the Montana Office of Public Instruction are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information as required by the Montana Office of Public Instruction is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, information required by the Montana Office of Public Instruction is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Rudd & Company, PLLC

Rudd & Company, *PLLC*  
Bozeman, Montana  
October 8, 2014

## MANAGEMENT DISCUSSION AND ANALYSIS

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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The discussion and analysis of Gardiner School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 include:

- The District's assets exceed liabilities at June 30, 2014 by \$6,059,449. Of this amount \$272,212 of unrestricted net position may be used to meet the District's ongoing obligations.
- The District's net position decreased by \$338,060 as a result of this year's operations.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. For the District, the General Fund is by far the most significant fund. However, the Elementary and High School Miscellaneous Programs Fund and the Elementary and High School Bus Depreciation Funds are also considered major funds for fiscal year 2014.

**Reporting the School District as a Whole**

*Statement of Net Position and Statement of Activities*

This report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. The accrual basis of accounting is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid. Activities that are fiduciary in nature are not included in these statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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**Reporting the School District as a Whole (continued)**

*Statement of Net Position and Statement of Activities (continued)*

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question “How did we do financially during the 2013-2014 fiscal year?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets (what is owned), deferred outflows of resources (future resources to be consumed) liabilities (what is owed), deferred inflows of resources (revenues currently unavailable) and the net position (the resources that would remain if all obligations were settled) of the 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.

These two statements report the District's net position and changes in those positions. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current Montana property tax laws, increases or decreases in enrollment, required educational programs, facility growth, and other factors. Financial factors include timeliness of tax collections, unexpected expenditures, changes to state funding, increases or decreases in the rate of return on investments, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct kind of activity:

**Governmental Activities** – Most of the District's programs and services are reported here, including instruction, support services, general administration, operation, and maintenance of plant, pupil transportation, food services and extracurricular activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

Fund financial 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 District uses many funds to account for a multitude of financial transactions.

The fund financial statements report balances and activities of the most significant, or major funds separately and combine activities of less significant funds under a single category.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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**Reporting the School District's Most Significant Funds (continued)**

*Fund Financial Statements*

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. The District's major funds are the General Fund, High School and Elementary Miscellaneous Programs Funds and the Elementary and High School Bus Depreciation Funds.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

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

**Reporting the District's Trust and Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for the miscellaneous trust fund and the student extracurricular funds. 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 budgetary comparison schedules on page 43 show how actual expenditures compared to the original and final budgeted expenditures for the general fund. The District's expenditures were within budget for the fiscal year.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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**The School District as a Whole**

The perspective of the statement of net position is of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2014 and 2013.

	Governmental Activities		Total change 2013-2014
	2014	2013	
<b>Assets</b>			
Current and Other Assets	\$ 3,760,332	\$ 3,649,210	\$ 111,122
Capital Assets (net)	2,788,035	3,059,735	\$ (271,700)
Total Assets	\$ 6,548,367	\$ 6,708,945	\$ (160,578)
<b>Liabilities</b>			
Current Liabilities	\$ 8,606	\$ 7,079	\$ 1,527
Long-term Liabilities	480,312	302,357	\$ 177,955
Total Liabilities	\$ 488,918	\$ 309,436	\$ 179,482
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 2,788,035	\$ 3,057,735	\$ (269,700)
Restricted	2,510,284	3,036,075	\$ (525,791)
Unrestricted	761,130	303,699	\$ 457,431
Total Net Position	\$ 6,059,449	\$ 6,397,509	\$ (338,060)

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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**The School District as a Whole (continued)**

Table 2 shows the changes in net position for fiscal year 2014, compared to fiscal year 2013 results:

	Governmental Activities		Total change 2013-2014
	2014	2013	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 63,238	\$ 62,563	\$ 675
Operating grants and contributions	759,681	996,912	(237,231)
<i>General Revenues:</i>			
Property taxes	669,404	756,835	(87,431)
State of Montana	1,363,360	1,402,694	(39,334)
Other general revenues	335,452	239,130	96,322
<b><i>TOTAL REVENUES</i></b>	<b><i>3,191,135</i></b>	<b><i>3,458,134</i></b>	<b><i>(266,999)</i></b>
<b>Expenses</b>			
Instruction	1,809,496	1,604,191	205,305
Support services	309,870	285,548	24,322
General administration	479,781	512,692	(32,911)
Operations and maintenance	433,325	430,424	2,901
Student transportation	200,214	158,272	41,942
School food	111,479	129,377	(17,898)
Extracurricular	185,030	217,974	(32,944)
<b><i>TOTAL EXPENSES</i></b>	<b><i>3,529,195</i></b>	<b><i>3,338,478</i></b>	<b><i>190,717</i></b>
<b><i>CHANGES IN NET POSITION</i></b>	<b><i>(338,060)</i></b>	<b><i>119,656</i></b>	<b><i>(457,716)</i></b>
<b><i>Net Position, Beginning of Year</i></b>	<b><i>6,397,509</i></b>	<b><i>6,277,853</i></b>	<b><i>119,656</i></b>
<b><i>Net Position, End of Year</i></b>	<b><i>\$ 6,059,449</i></b>	<b><i>\$ 6,397,509</i></b>	<b><i>\$ (338,060)</i></b>

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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**The School District as a Whole (continued)**

*Governmental Activities*

In Montana, school districts must seek voter approval for any additional levy authority needed to operate the school district over what was approved in prior years and what will be received from the state. Property taxes made up 21 percent of revenues for governmental activities for the District in fiscal year 2014.

The major categories of expenses are presented on page 12. Of these expenses, the largest function is instruction, which comprises 51 percent of district expenses.

*Spending Levels Compared to Resource Levels*

The School District's revenue for governmental activities was \$338,060 less than the total expenses for the District. Please see page 9 for a presentation of this information.

**Analysis of Financial Information**

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the District's financial situation in the future.

*General Information about Gardiner School District:* The District provides education for children in grades kindergarten through 12th grade, transportation to and from school, provides hot lunches, provides athletic and extracurricular activities, and participates in various federal programs.

*Where do the resources come from?* The majority of resources utilized by the District come from local property taxes, state aid, state and federal grants, and interest revenue. Page 11 shows the percent of the resource (revenue) components listed above to the total resources (revenues) of the District.

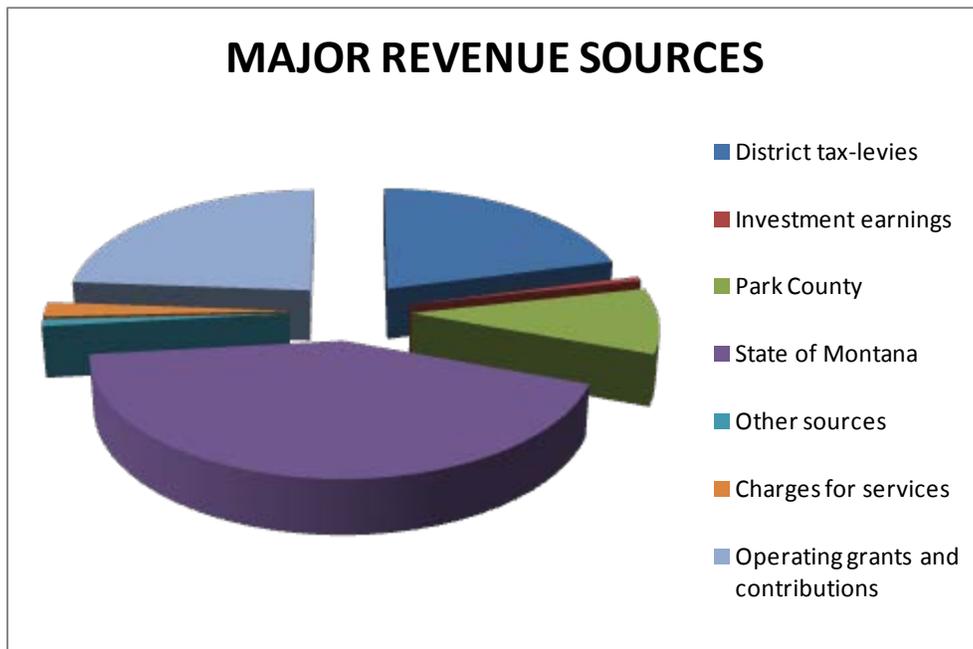
*What does it cost?* The major expenditure functions of the District include instructional, support services, operations, administration, capital outlay and transportation. Page 12 illustrates the costs of major functions and their relative size, compared to total expenditures.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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Table 3  
Major Resources

	Governmental Activities	Percent of Total
<i>General revenues:</i>		
District tax-levies	\$ 669,404	20.98%
Investment earnings	18,700	0.59%
Park County	286,694	8.98%
State of Montana	1,363,360	42.72%
Other sources	30,058	0.94%
<b>Total general revenues</b>	<b>\$ 2,368,216</b>	<b>74.21%</b>
Charges for services	63,238	1.98%
Operating grants and contributions	759,681	23.81%
<b>TOTAL REVENUES</b>	<b>\$ 3,191,135</b>	<b>100.00%</b>

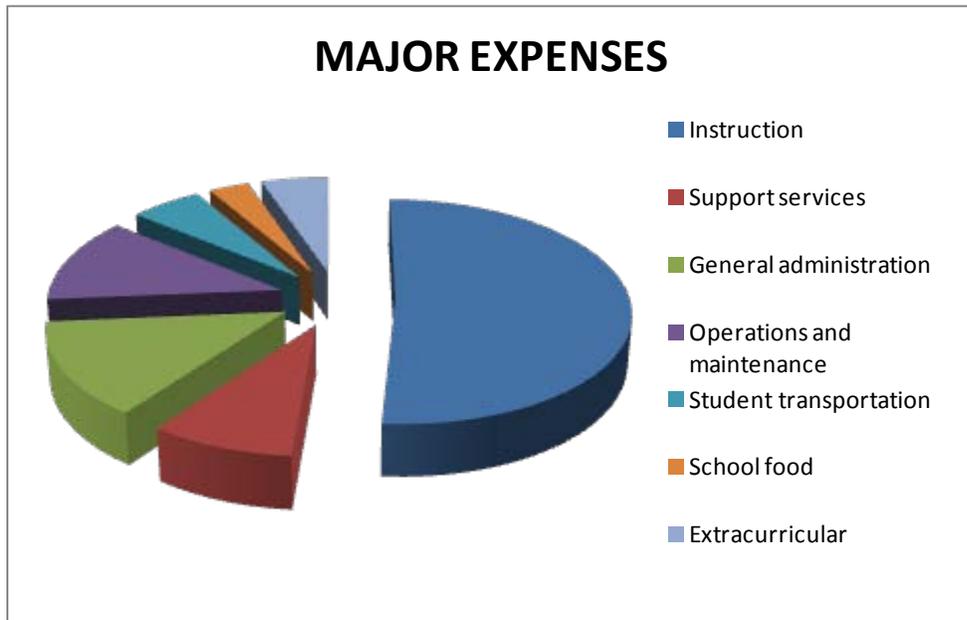


**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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Table 4  
Major Expenditure Functions

<i>Expenses</i>	Governmental Activities	Percent of Total
Instruction	\$ 1,809,496	51.27%
Support services	309,870	8.78%
General administration	479,781	13.59%
Operations and maintenance	433,325	12.28%
Student transportation	200,214	5.67%
School food	111,479	3.16%
Extracurricular	185,030	5.24%
<b><i>TOTAL EXPENSES</i></b>	<b>\$ 3,529,195</b>	<b>100.00%</b>



**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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*What are the Capital Assets and Debt of the District?* Capital assets of the District are assets purchased for over \$5,000 with a useful life of one year or more. The majority of items included in the capital assets are buildings and building improvements and equipment such as copy machines and buses. Technology purchases are mainly funded by the technology fund, however, because of the \$5,000 capitalization threshold for the District; these purchases are rarely considered capital assets. The table below summarizes the capital assets for the District. Please refer to note 4 for further information on the District's capital assets.

Table 5  
Capital Assets

	Governmental Activities
Land	\$ 52,876
Land improvements	281,145
Buildings and improvements	5,120,580
Machinery and equipment	990,602
<i>Total capital assets</i>	\$ 6,445,203
Less accumulated depreciation	(3,657,168)
<b><i>Total capital assets, net of accumulated depreciation</i></b>	<b>\$ 2,788,035</b>

The long-term debt of the District is comprised of compensated absences and other post employment liabilities. Please refer to notes 5 and 10 for further information on the District's compensated absences.

*What changes and trends affect the district's future?* In the next few years, the District will undergo many changes and have many challenges. These changes and challenges will include, but are not limited to: 1) decreases in regular education student enrollment and needs, 2) increased costs associated with curriculum upgrades and needs, 3) increased costs in building maintenance 4) increased technology needs, increased costs associated with technology maintenance 5) increased costs associated with staffing needs 6) reductions in federal programs, such as Title Funds and Impact Aid. The District is currently developing a strategic plan to address the above issues 7) limited availability of housing in the Gardiner community to attract and retain highly qualified teachers

**Contact for Further Information**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Districts' finances and to demonstrate the Districts' accountability for the resources it receives. If you have questions about this report or need additional information, contact the District Clerk, at Gardiner School District, 510 Stone Street, Gardiner, MT 59030.

## FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 3,651,940
Property taxes receivable	89,806
Due from other governments	<u>18,586</u>
Total Current Assets	<u>3,760,332</u>
Capital Assets	
Land	52,876
Land improvements	281,145
Buildings and improvements	5,120,580
Machinery and equipment	990,602
Less: accumulated depreciation	<u>(3,657,168)</u>
Total Capital Assets	<u>2,788,035</u>
Total Assets	<u>\$ 6,548,367</u>

The accompanying notes are an integral part of the financial statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Net Position (continued)**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Liabilities</b>	
Current liabilities	
Compensated absences	\$ 8,606
Total Current Liabilities	<u>8,606</u>
Noncurrent Liabilities	
Compensated absences	77,060
Other post employment liability	<u>403,252</u>
Total Noncurrent Liabilities	<u>480,312</u>
Total Liabilities	<u>488,918</u>
<b>Net Position</b>	
Net investment in capital assets	2,788,035
Restricted	
For debt service	488,918
For general government	2,021,366
Unrestricted	<u>761,130</u>
Total Net Position	<u>\$ 6,059,449</u>

The accompanying notes are an integral part of the financial statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4****Statement of Activities****For the Year Ended June 30, 2014**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:				
Instruction	\$ 1,809,496	\$ 2,400	\$ 737,344	\$ (1,069,752)
Support services	309,870	-	-	(309,870)
General administration	479,781	-	-	(479,781)
Operations and maintenance	433,325	-	-	(433,325)
Student transportation	200,214	-	-	(200,214)
Food services	111,479	60,838	22,337	(28,304)
Extracurricular activities	185,030	-	-	(185,030)
Total governmental activities	<u>\$ 3,529,195</u>	<u>\$ 63,238</u>	<u>\$ 759,681</u>	<u>(2,706,276)</u>
		General revenues:		
		District tax-levies		669,404
		State of Montana		1,363,360
		Investment earnings		18,700
		County sources		286,694
		Other sources		<u>30,058</u>
		Total general revenues		<u>2,368,216</u>
		Changes in net position		(338,060)
		Net position, beginning of year		<u>6,397,509</u>
		Net position, end of year		<u>\$ 6,059,449</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Balance Sheet – Governmental Funds**  
**June 30, 2014**

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	Total General Fund	Elementary Miscellaneous Fund	High School Miscellaneous Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 170,911	\$ 1,351,293	\$ 600,658
Property taxes receivable	66,803	-	-
Due from other governments	6,766	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 244,480</u>	<u>\$ 1,351,293</u>	<u>\$ 600,658</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
Deferred inflows of resources:			
Unavailable revenue - property taxes	\$ 66,803	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>66,803</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	1,285,923	568,592
Committed	-	65,370	32,066
Assigned	-	-	-
Unassigned	177,677	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>177,677</u>	<u>1,351,293</u>	<u>600,658</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 244,480</u>	<u>\$ 1,351,293</u>	<u>\$ 600,658</u>

The accompanying notes are an integral part of the financial statements.

Elementary Bus Depreciation Fund	High School Bus Depreciation Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 412,375	\$ 370,115	\$ 746,588	\$ 3,651,940
7,538	5,949	9,516	89,806
800	706	10,314	18,586
<u>\$ 420,713</u>	<u>\$ 376,770</u>	<u>\$ 766,418</u>	<u>\$ 3,760,332</u>
\$ 7,538	\$ 5,949	\$ 9,516	\$ 89,806
<u>7,538</u>	<u>5,949</u>	<u>9,516</u>	<u>89,806</u>
-	-	-	-
413,175	370,821	270,885	2,909,396
-	-	465,157	562,593
-	-	20,860	20,860
-	-	-	177,677
<u>413,175</u>	<u>370,821</u>	<u>756,902</u>	<u>3,670,526</u>
\$ 420,713	\$ 376,770	\$ 766,418	\$ 3,760,332

The accompanying notes are an integral part of the financial statements.

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**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net**  
**Position**  
**June 30, 2014**

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

Total fund balances - governmental funds	\$ 3,670,526
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$6,445,203 and the accumulated depreciation is \$3,657,168.	2,788,035
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available". All of the deferred inflows of resources from property tax revenue reported in the governmental funds is not available.	89,806
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>-</u>
Total net position - governmental activities	<u>\$ 6,548,367</u>

The accompanying notes are an integral part of the financial statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental**  
**Funds**  
**For the Year Ended June 30, 2014**

	General Fund	Elementary Miscellaneous Fund	High School Miscellaneous Fund
<b>Revenues:</b>			
District tax-levies	\$ 488,095	\$ -	\$ -
Investment interest	3,077	4,057	1,303
County	-	-	-
State of Montana	1,321,688	4,816	5,909
Federal	-	16,560	58,203
Other revenue sources	-	309,879	217,901
<b>Total revenues</b>	<b>1,812,860</b>	<b>335,312</b>	<b>283,316</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Instruction	871,898	227,505	275,720
Support services	217,248	15,848	32,682
General administration	381,803	20,751	6,381
Operations and maintenance	272,422	2,070	2,070
Student transportation	26,978	3,592	31,443
Food services	-	22,970	-
Extracurricular activities	47,112	24,064	62,362
<b>Total expenditures</b>	<b>1,817,461</b>	<b>316,800</b>	<b>410,658</b>
<b>Other financing sources (uses):</b>			
Operating Transfers	(3,456)	-	-
<b>Excess of revenues over expenditures</b>	<b>(8,057)</b>	<b>18,512</b>	<b>(127,342)</b>
Fund balances, July 1, 2013	185,734	1,332,781	728,000
<b>Fund balances June 30, 2014</b>	<b>\$ 177,677</b>	<b>\$ 1,351,293</b>	<b>\$ 600,658</b>

The accompanying notes are an integral part of the financial statements.

Elementary School Bus Depreciation Fund	Hish School Bus Depreciation Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 55,869	\$ 52,037	\$ 64,434	\$ 660,435
3,791	3,783	2,689	18,700
-	-	286,694	286,694
-	-	30,947	1,363,360
-	-	187,196	261,959
-	-	63,238	591,018
<u>59,660</u>	<u>55,820</u>	<u>635,198</u>	<u>3,182,166</u>
-	-	247,478	1,622,601
-	-	31,230	297,008
-	-	70,846	479,781
-	-	18,542	295,104
-	-	76,215	138,228
-	-	88,509	111,479
-	-	2,274	135,812
-	-	<u>535,094</u>	<u>3,080,013</u>
-	-	3,456	-
59,660	55,820	103,560	102,153
<u>353,515</u>	<u>315,001</u>	<u>653,342</u>	<u>3,568,373</u>
<u>\$ 413,175</u>	<u>\$ 370,821</u>	<u>\$ 756,902</u>	<u>\$ 3,670,526</u>

The accompanying notes are an integral part of the financial statements.

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**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$ 102,153
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay.	(269,700)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,969
The current period net increase in compensated absences and other postemployment benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	<u>(179,482)</u>
Change in net position of governmental activities	<u>\$ (338,060)</u>

The accompanying notes are an integral part of the financial statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and investments	\$ 76,323	\$ 32,774
Total assets	<u>\$ 76,323</u>	<u>\$ 32,774</u>
<b>Liabilities</b>		
Warrants payable	\$ -	\$ 32,774
Total liabilities	<u>-</u>	<u>32,774</u>
<b>Net Position</b>		
Net position held in trust	<u>76,323</u>	<u>-</u>
Total net position	<u>\$ 76,323</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2014**

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	<u>Private- Purpose Trust Funds</u>
Additions:	
Investment interest	\$ 714
Other	84,933
Total additions	<u>85,647</u>
Deductions:	
Support services	5,500
General administrative	888
Extracurricular	88,704
Total deductions	<u>95,092</u>
Change in net position held in trust	(9,445)
Net Position, July 1, 2013	<u>85,768</u>
Net Position, June 30, 2014	<u>\$ 76,323</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies**

The financial statements of Gardiner School District No. 7 and 4 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

Gardiner School District No. 7 and 4, delivers public education services to students below the College and University level to residents of the District. Generally accepted accounting principles in the United States require that these financial statements present School District No. 7 and 4 (the primary government) and all component units, if any. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the general purpose financial statements. Gardiner School District No. 7 and 4 has no component units.

The District actually consists of two separate legal entities - High School and Elementary districts. Accounting records of both districts must be maintained separately per state law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Although the District legally consists of two separate statutory entities, it is managed and operated as a single system. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

**Government Wide and Fund Financial Statements**

The District's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-Wide Financial Statements* - The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government. All internal activity has been eliminated.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

*Government Wide and Fund Financial Statements (continued)*

The statement of net position presents the financial condition of the governmental activities of the District at year-end. 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 service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Fund Financial Statements* - Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental fund financial statements is on major funds. For the District, the general fund, the elementary miscellaneous programs fund, high school miscellaneous programs fund, elementary bus depreciation fund and high school bus depreciation fund are considered major and are presented in separate columns. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and *the accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected by the last day of the year. Therefore, all revenue items are considered to be measurable and available only when cash is received by the government.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *General Fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund. The revenue sources of the general fund include district tax levies, the state of Montana, and the federal government.

The *Elementary and High School Miscellaneous Programs Funds* account for miscellaneous grant funds. The Miscellaneous funds revenues sources consist primarily of federal and state grants.

The *Elementary and High School Bus Depreciation Funds* accounts for the financing of the maintenance and operation of district owned buses. The Bus Depreciation fund revenue sources consist primarily of district tax levies.

Additionally, the government reports the following fund type:

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations. These include a claims warrant clearing fund and a payroll warrant clearing fund.

**Encumbrances**

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, until performance is essentially complete.

Encumbrances would have been reported as restrictions or commitments of fund balance of the Governmental Funds Balance Sheet and would have no effect on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (GAAP basis statements). The District has no outstanding encumbrances at year end.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**New Accounting Pronouncements**

During the year, the District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASBS No. 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASBS No. 65, deferred tax revenue will now be reported as Deferred Inflow of Resources instead of as a liability.

**Budgets**

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
General	X	
Special Revenue:		
Transportation	X	
Bus Depreciation Fund	X	
School Food		X
Tuition		X
Retirement	X	
Miscellaneous Programs		X
Compensated Absences		X
Technology	X	
Adult Education	X	
Traffic Education		X
Impact Aid Fund		X
Flexibility		X
Capital Projects:		
Building		X
Trust and Agency:		
Extracurricular Activities		X
Payroll Clearing		X
Claims Clearing		X

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**Budgets (continued)**

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts however budgets may be amended for emergencies as defined by State law.

The budget policy is as follows:

- On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unexpected and unencumbered appropriations lapse at year end.

**Property Taxes**

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer.

The total mill levy for the year was 98.15 mills in the elementary district and 50.09 mills in the high school district. Taxable value for the elementary district was \$4,045,068 and \$5,458,686 for the high school district.

**Cash and Investments**

Cash, including the Student Extracurricular Fund (an expendable trust), is held by a local financial institution.

Authorized investments allowed by Section 20-0-213, MCA, include savings or time deposits in a state or national bank, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, 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 funds if the fund meets certain conditions.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**Due from Other Governments**

These accounts are composed primarily of: (1) revenue accruals for property taxes received from the county and (2) revenue accruals for the various reimbursable type grants for which revenue is recognized as expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

**Inventories**

Supplies obtained through the governmental funds are recorded as expenditures at the time of purchase. Inventory is valued at cost. Inventories of materials and supplies on hand are not maintained; however, they are not considered material.

**Capital Assets**

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Land, buildings and equipment are stated on the basis of historical cost, except estimated historical costs were utilized where no historical records exist. Assets acquired through gifts or donations are recorded at their estimated fair market value at time of acquisition. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Depreciation is recorded using the straight-line method with the following lives:

Land improvements .....	20 Years
Buildings and improvements .....	25-50 Years
Machinery and equipment.....	5-25 Years

**Liability for Compensated Absences**

Non-certified District employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually.

Certified District employees earn between 10 to 12 sick days per year depending on their contract. No accumulated sick leave is paid on termination or retirement for certified employees. Sick leave is earned at a rate of one day per month, for non-certified District employees. Upon retirement or termination non-certified employees are paid 25% of unused sick leave. All District employees are paid 100% of unused vacation leave. Non-vesting sick leave is not accrued.

In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year end from future resources, not expendable available resources.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**Liability for Compensated Absences (continued)**

The District, in accordance with State Law, may appropriate year end General Fund cash and establish a reserve fund for the purpose of paying any accumulated amount of sick leave due to a non-teaching employee upon termination of employment. Such reserve (Special Revenue Fund Compensated Absence) may be used only for the purpose stated above and may not exceed 30% of the District liability for accumulated sick leave and vacation pay as of June 30, 2014.

**Other Post Employment Benefits**

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

**Deferred Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Elementary Bus Depreciation Fund	High School Bus Depreciation Fund	Nonmajor Governmental Funds	Total
Unavailable Revenue - Property taxes	\$ 66,803	\$ 7,538	\$ 5,949	\$ 9,516	\$ 89,806

**Fund Equity**

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor how those amounts may be spent. Designations of fund balances as non-spendable, restricted, committed, assigned or unassigned are based upon the types of constraints placed upon the outstanding balances.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**1. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

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

**Subsequent Events**

Subsequent events have been evaluated through October 8, 2014 the date the report was available to be issued.

**2. Cash and Investments**

At June 30, 2014, the carrying amount of the District's cash and cash equivalents, excluding extracurricular funds, was \$2,399,534. The bank balance was insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized.

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the District's deposits may not be returned or the District will not be able to recover the collateral securities in the possession of the outside party. The District minimizes custodial credit risk by restrictions set forth in state law. Types of securities that may be pledged as collateral are detailed in Section 17-6-103 of the Montana Code Annotated (MCA).

On June 30, 2014, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year.

The Student Extracurricular Fund cash in checking has a carrying balance of \$32,184 and a bank balance of \$31,784 and is fully insured by the FDIC.

The following table provides information about the interest rate risks associated with the District's deposits and investment. The amounts in the following table are included in cash and cash equivalents.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>
Money market	N/A	AAA	\$ 13,408
U.S. Government agency funds	2013-2017	AAA	747,544
U.S. Government bond funds	N/A	AAA	56,094
Certificate of deposits	2014-2016	AAA	604,285
			<u>\$ 1,421,331</u>

## **GARDINER SCHOOL DISTRICT NO. 7 AND 4**

### **Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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#### **2. Cash and Investments (continued)**

Credit risk is defined as the risk that an issuer or other counterpart to an investment will not fulfill its obligation. The above credit risk rating indicates the probability that the issuer may default in making timely principal and interest payments. The credit ratings presented in the previous tables are provided by Standard and Poor's Corporation (S&P). The District's investment practice is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, and are therefore not impacted significantly by changes in short term interest rates.

#### **3. Property taxes receivable**

Property is assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices.

Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are considered unavailable tax revenue.

Taxes are due in two payments, generally, November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected for up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners.

Because of the above described collection procedures, estimated uncollectible amounts are minimal and therefore not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the School District may demand payment from the protested tax escrow fund of all or part of the protested taxes from the second and subsequent years of the protest. No demand for payment has been made by the District. The District policy is to not recognize this revenue until the protest is settled and taxes are distributed.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**4. Capital Assets**

A summary of capital assets follows:

	Beginning June 30, 2013	Additions	Retirements	Ending June 30, 2014
Capital assets not subject to depreciation:				
Land	\$ 52,876	\$ -	\$ -	52,876
Capital assets subject to depreciation:				
Land improvements	281,145	-	-	281,145
Buildings and improvements	5,120,580	-	-	5,120,580
Equipment and other	990,602	-	-	990,602
Total capital assets	<u>6,445,203</u>	<u>-</u>	<u>-</u>	<u>6,445,203</u>
Less accumulated depreciation for:				
Land improvements	235,703	12,483	-	248,186
Buildings and improvements	2,455,584	111,297	-	2,566,881
Equipment and other	696,181	145,920	-	842,101
Total accumulated depreciation	<u>3,387,468</u>	<u>269,700</u>	<u>-</u>	<u>3,657,168</u>
Total capital assets, net of accumulated depreciation	<u>\$ 3,057,735</u>	<u>\$ (269,700)</u>	<u>\$ -</u>	<u>\$ 2,788,035</u>

Depreciation expense has been charged to functions of the primary government, as follows:

Instruction	\$ 7,413
Support services	12,862
Operations and maintenance	138,221
Transportation	61,986
Extracurricular	49,218
	<u>\$ 269,700</u>

**5. Compensated Absences**

The following is a summary of obligations of the District for the fiscal year ended June 30, 2014:

Balance July 1, 2013	\$ 70,787
Additions	14,879
Reductions	-
Balance June 30, 2014	<u>\$ 85,666</u>
Current Portion Due Within One Year	\$ 8,606

## **GARDINER SCHOOL DISTRICT NO. 7 AND 4**

### **Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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#### **6. Retirement Plans**

The District participates in two statewide mandatory cost-sharing multi-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Public Employees' Retirement System (PERS) covers other non-teaching employees. The plans were established in 1945 and are governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated. The State legislature has the authority to establish and amend contribution rates and benefit provisions to the plans. The plans provide basic retirement benefits, including early retirement, disability, regular retirement, and death benefits.

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

Teachers Retirement System  
PO Box 200139  
1500 Sixth Avenue  
Helena MT 59620-0139  
Phone: 406-444-3134

Public Employees Retirement System  
PO Box 200131  
1712 Ninth Avenue  
Helena MT 59620-0131  
Phone: 406-444-3154

TRS covered employees are required by State statute to contribute 7.15 percent of their salary to the plan. The District is also required by State law to contribute 7.47 percent of covered payroll. The State of Montana contributes an additional 2.11 percent. Additionally, they must contribute to the retirement plans of the Special Ed coop on a pro-rata basis depending on usage. PERS covered employees hired prior to July 1, 2012 are required by State statute to contribute 6.9 percent of their salary and covered employees hired after July 1, 2012 are required by State statute to contribute 7.9 percent of their salary. The District must also contribute 6.8 percent of covered payroll. The State of Montana contributes an additional .37 percent whether the State of Montana or the local government employers are ultimately responsible for any underfunding of PERS and TRS is unclear in State law.

As of July 1, 2013, the State of Montana increased required contributions and funding for the TRS. The new regulations divide employees into two distinct groups depending on the hire date of the members or date they withdraw their account balance. A Tier One member will contribute at a rate of 7.15 percent of their earned compensation. A Tier Two member must contribute at a rate of 8.15 percent of their earned compensation. The District will contribute 7.47 percent plus an additional supplemental contribution rate of 1 percent of earned compensation for both Tier One and Tier Two employees. The state will contribute 2.49 percent of the total earned compensation of the District to the pension fund in addition to \$25 million annually as a supplemental contribution.

## GARDINER SCHOOL DISTRICT NO. 7 AND 4

### Notes to the Financial Statements

For the Year Ended June 30, 2014

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#### 6. Retirement Plans (continued)

In addition, as of July 1, 2013, PERS employee contribution rates increased from fiscal year 2013 to 7.9 percent of compensation for all employees and 7.8 percent for employer contributions. The employer contribution will continue to increase by 0.1 percent each fiscal year through fiscal year 2024.

Further in fiscal year 2014, the District paid additional contributions to the TRS for an underfunded liability in the amount of \$38,908 and \$36,340 from the elementary and high school retirement funds, respectively.

The amounts contributed to TRS and PERS during the years ended June 30, 2014, 2013 and 2012 were equal to the required contributions for each year. The amounts contributed by both the District and its employees were as follows:

	PERS		TRS	
	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
2012	\$ 15,219	\$ 15,957	\$ 84,813	\$ 81,180
2013	\$ 15,819	\$ 16,832	\$ 96,559	\$ 92,425
2014	\$ 16,827	\$ 17,043	\$ 115,326	\$ 110,969

#### 7. Risk Management

The District faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e., employee injuries, and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities and medical insurance costs of employees. The District participates in a statewide public risk pool, Montana School Group's Workers' Compensation Risk Retention Program, for workers' compensation coverage. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **GARDINER SCHOOL DISTRICT NO. 7 AND 4**

### **Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

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#### **8. Joint Venture**

A joint venture is a legal entity or other organization created by a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control for the purpose of pooling resources and sharing costs, risks and rewards of providing goods or services to the venture participants. The District is a member of the Park County Special Education Cooperative, which develops curriculum for special education. The Cooperative is comprised of eight member districts. The Cooperative is administered by a management board consisting of one member from each district.

#### **9. Fund Balances**

Fund balance is classified on the relative strength of the spending constraints placed on the purpose for which resources can be used as follows:

**Nonspendable fund balance** – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors or laws, or regulations or other governments, or through constitutional provisions, or by enabling legislation.

**Committed fund balance** - amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Board of Trustees is the highest level of decision making authority which has the authority to commit fund balance; however, the District Clerk has been delegated the authority to determine the specific amount to be committed.

**Assigned fund balance** – amounts that are constrained by the governments' intent to be used for specific purposes, but are neither restricted nor committed. Funds can be assigned by the District Clerk, Superintendent of Schools or the Board of Trustees.

**Unassigned fund balance** – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

The District has a policy to expend restricted amounts first when an expenditure has been incurred for purposes for which both restricted and unrestricted fund balances are available. The policy states the order of releasing fund balance for current expenditures is: restricted, committed, assigned and then unassigned.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4****Notes to the Financial Statements****For the Year Ended June 30, 2014****9. Fund Balances (continued)**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
Fund balance:					
Restricted for:					
Retirement Services Fund	\$ -	\$ 85,618	\$ -	\$ -	\$ 85,618
Miscellaneous Funds	-	1,854,515	-	-	1,854,515
Technology Fund	-	38,940	-	-	38,940
Transportation Fund	-	130,411	-	-	130,411
Bus Depreciation Fund	-	783,996	-	-	783,996
Compensated Absences Fund	-	15,916	-	-	15,916
Subtotal Restricted Fund Balance	-	2,909,396	-	-	2,909,396
Committed to:					
Miscellaneous Funds	-	97,436	-	-	97,436
Impact Aid Funds	-	436,770	-	-	436,770
Adult Education Fund	-	16,672	-	-	16,672
Building Fund	-	-	-	11,715	11,715
Subtotal Committed Fund Balance	-	550,878	-	11,715	562,593
Assigned to:					
Traffic Education Fund	-	20,860	-	-	20,860
Subtotal Assigned Fund Balance	-	20,860	-	-	20,860
Unassigned:	177,677	-	-	-	177,677
Total Fund Balances	\$ 177,677	\$ 3,481,134	\$ -	\$ 11,715	\$ 3,670,526

**10. Other Post Employment Benefits****Plan Description**

Gardiner School District No. 7 and 4 has a single-employer medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are approved annually by the Board of Trustees and may be revoked or altered at any time.

**Funding Policy**

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of June 2014 there was 1 retiree and/or survivor enrolled in the employer's sponsored health insurance plan.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**10. Other Post Employment Benefits (continued)**

**Annual OPEB Cost Obligation and Net OPEB Obligation**

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the entry age actuarial cost method as of June 30, 2014. The objective under this method is to produce a stable employer contribution in amounts that increase at the same rate as the employer's payroll. This method is designed to fund a participant's total benefit over the course of their career based on the age of entry into the benefit program.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 172,981
Interest on net OPEB obligation	107
Adjustment to annual required contribution	<u>(4,801)</u>
Annual OPEB Cost	168,287
Contributions made	<u>(3,684)</u>
Change in net OPEB obligation	164,603
Net OPEB obligation - beginning of year	<u>238,649</u>
Net OPEB obligation - end of year	<u>\$ 403,252</u>

**Trend Information**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the two preceding years are presented below.

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	105,104	31,134	29.62%	73,970
June 30, 2013	182,348	17,669	9.69%	238,649
June 30, 2014	168,287	3,684	2.20%	403,252

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**10. Other Post Employment Benefits (continued)**

**Funded Status and Funding Progress**

As of June 30, 2014 (the most recent actuarial valuation date), the actuarial accrued liability (AAL) for benefits was \$1,103,879, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis funded 100% by the retiring employees. The covered payroll (annual payroll of active employees covered by the plan) and ratio of UAAL to covered payroll are presented below.

**Actuarial Valuation**

Actuarial Accrued Liability (AAL)	\$ 1,103,879
Actuarial Value of Assets (AVA)	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,103,879</u>
Funded Ratio (AVA/UAAL)	0%
Covered Payroll	1,763,758
UAAL as a Percentages of Covered Payroll	62.59%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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**10. Other Post Employment Benefits (continued)**

In the June 30, 2014 actuarial valuation, the following simplifying assumptions were made:

- (1) Mortality rates are assumed to follow the RP2000 Mortality Table for Males and Females projected 10 years;
- (2) Amortization factor for a 30-year period as a level percent of payroll on an open basis, using a 0.5 percent discount rate and a 3.13 percent payroll growth assumption;
- (3) Average retirement age is 60 years;
- (4) Age adjustment factor of 1.936
- (5) Healthcare Cost Trend Rate of 8% initial and \$4.7% ultimate

**11. Interfund Balance and Transfers**

The interfund balances as of June 30, 2014 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
General Fund	\$ -	\$ 3,456
Nonmajor Funds		
Elementary School Compensated Absence	1,328	-
Elementary School Debt Fund	-	4
Elementary School Building Fund	4	-
High School Compensated Absence	2,128	-
High School Debt Fund	-	2
High School Building Fund	2	-
	<u>\$ 3,462</u>	<u>\$ 3,462</u>

The transfers out of the debt service funds noted above are in accordance with MCA 20-9-443 (ARM 10.10.320(5)), which allows transfer of remaining fund balance after all debt is fully paid.

The transfers into the compensated absences funds are in accordance with MCA, 20-9-512, to maintain the compensated absences liability fund as of June 30, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**General Fund, Elementary Bus Depreciation Fund and High School Bus Depreciation**  
**Fund**  
**For the Year Ended June 30, 2014**

	General Fund		Elementary Bus Depreciation Fund		High School Bus Depreciation Fund	
	Original & Final Budget	Actual	Original & Final Budget	Actual	Original & Final Budget	Actual
Revenues:						
District tax-levies	\$ 498,700	\$ 488,095	\$ 58,420	\$ 55,869	\$ 52,784	\$ 52,037
Investment interest	169	3,077	-	3,791	-	3,783
State of Montana	1,322,047	1,321,688	-	-	-	-
Total revenues	<u>1,820,916</u>	<u>1,812,860</u>	<u>58,420</u>	<u>59,660</u>	<u>52,784</u>	<u>55,820</u>
Expenditures:						
Current:						
Instruction	873,555	871,898	-	-	-	-
Support services	217,661	217,248	-	-	-	-
General administration	382,529	381,803	-	-	-	-
Operations and maintenance	272,940	272,422	-	-	-	-
Student transportation	27,029	26,978	100,000	-	100,000	-
Extracurricular	47,202	47,112	-	-	-	-
Total expenditures	<u>1,820,916</u>	<u>1,817,461</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(4,601)</u>	<u>\$ (41,580)</u>	<u>59,660</u>	<u>\$ 52,784</u>	<u>55,820</u>
Operating Transfer Out		(3,456)		-		-
Fund balances, July 1, 2013		<u>185,734</u>		<u>353,515</u>		<u>315,001</u>
Fund balances June 30, 2014		<u>\$ 177,677</u>		<u>\$ 413,175</u>		<u>\$ 370,821</u>

See Independent Auditors' Report  
The accompanying notes are an integral part of the required supplemental information.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Employee Group Benefit Plan – Other Post Employment Benefits (OPEB)**  
**For the Year Ended June 30, 2014**

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**Schedule of Funding Progress**

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Fiscal Year		<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Valuation Date		June 30, 2014	June 30, 2011	June 30, 2011
Actuarial Value of Assets	(a)	-	-	-
Actuarial Accrued Liability (AAL)	(b)	1,103,879	935,259	935,259
Unfunded AAL (UAAL)	(b-a)	1,103,879	935,259	935,259
Funded Ration (%)	(a/b)	0%	0%	0%
Annual Covered Payroll	(c)	1,763,758	1,524,420	1,524,420
UAAL as a Percentage of Covered Payroll	(b-a/c)	62.59%	61.35%	61.35%

**History of Net OPEB Obligation**

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Fiscal Year Ended		June 30, 2014	June 30, 2013	June 30, 2012
Age Adjusted Contribution		\$ 3,684	\$ 17,669	\$ 31,134
Percentage of Annual OPEB Cost Contributed		2.2%	16.3%	29.6%
Net OPEB Obligation		\$ 403,252	\$ 238,649	\$ 73,970

See Independent Auditors' Report  
The accompanying notes are an integral part of the required supplemental information.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Notes to the Required Supplemental Information**  
**For the Year Ended June 30, 2014**

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**1. Budgets**

State law permits the inclusion of obligations for construction in progress and obligations for the purchase of personal property as expenditures for budget purposes (MCA 20-9-121). Because inclusion for these obligations is required for budgetary purposes, they have been included in expenditures in the statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- General Fund, Elementary Bus Depreciation Fund and High School Bus Depreciation Fund. The District had no obligations of this type outstanding at year end and there is no difference between budgetary and GAAP basis.

A budget has not been adopted for the elementary or high school Miscellaneous Programs funds because the school is not legally required to have a budget for those funds. Accordingly, budgetary comparison information is not presented for those major special revenue funds.

**2. Other Post Employment Benefits (OPEB)**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule is based on actuarial values as of June 30, 2014 and 2011.

SUPPLEMENTAL INFORMATION REQUIRED BY THE  
MONTANA OFFICE OF PUBLIC INSTRUCTION

Montana's Office of Public Instruction mandates that certain information be included in a school district's annual financial statements. These items include: schedule of enrollment and detail of student extracurricular funds by activity.

**GARDINER SCHOOL DISTRICT NO. 7 AND 4****Schedule of Enrollment****For the Year Ended June 30, 2014**

<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
<b>Fall Enrollment</b>			
<b>Elementary School District</b>			
<b>Pre-K-6:</b>			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	105	105	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
<b>7-8:</b>			
Grades 7 - 8 (enrolled 360+ hours per year)	34	34	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	139	139	0
<b>High School District</b>			
<b>9-12:</b>			
Grades 9 - 12 (enrolled 360+ hours per year)	85	85	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	85	85	0
19 Year-olds included in Grades 9-12 above	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Schedule of Enrollment (continued)**  
**For the Year Ended June 30, 2014**

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<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
<b>Winter Enrollment</b>			
<b>Elementary School District</b>			
<b>Pre-K-6:</b>			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	100	100	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
<b>7-8:</b>			
Grades 7 - 8 (enrolled 360+ hours per year)	35	35	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	135	135	0
<b>High School District</b>			
<b>9-12:</b>			
Grades 9 - 12 (enrolled 360+ hours per year)	83	83	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	83	83	0
19 Year-olds included in Grades 9-12 above	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

**GARDINER SCHOOL DISTRICT NO.7 AND 4**  
**Schedule of Enrollment (continued)**  
**For the Year Ended June 30, 2014**

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<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
<b>Spring Enrollment</b>			
<b>Elementary School District</b>			
<b>Pre-K-6:</b>			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	99	99	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
<b>7-8:</b>			
Grades 7 - 8 (enrolled 360+ hours per year)	34	34	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	133	133	0
<b>High School District</b>			
<b>9-12:</b>			
Grades 9 - 12 (enrolled 360+ hours per year)	83	83	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	83	83	0
19 Year-olds included in Grades 9-12 above	0	0	0
Early Graduates	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

**GARDINER SCHOOL DISTRICT NO. 7 AND 4**  
**Schedule of Cash Collected and Disbursements and Transfers – Extracurricular Funds**  
**For the Year Ended June 30, 2014**

	Balance June 30, 2013	Revenue	Expenditures	Transfers In (Out)/ Adjustments	Balance June 30, 2014
General	\$ 766	\$ -	\$ (518)	\$ (248)	\$ -
Vending	1,093	1,593	(1,113)	(1,573)	-
Elementary - Volunteer	1,294	3,529	(3,289)	-	1,534
Art	209	44	-	-	253
Elementary Concessions	9,081	13,641	(13,457)	(1,400)	7,865
Activities Fund	4,158	36,678	(39,120)	2,117	3,833
Student Council	1,508	1,862	(2,210)	1,527	2,687
Yearbook	3	5,760	(5,678)	550	635
SADD	50	-	-	(50)	-
Family - Consumer Science	951	-	-	-	951
FFA	-	11,151	(9,135)	(85)	1,931
Music Activity Fund	2,143	1,007	(1,236)	-	1,914
Plays	2,732	1	(2)	548	3,279
Junior High Plays	548	-	-	(548)	-
Industrial Technology	3,658	707	(818)	-	3,547
Library Store	522	16	(664)	126	-
Library Birthday	185	-	(59)	(126)	-
Post Graduates	710	-	-	(710)	-
Senior Class	516	-	(1,310)	2,672	1,878
Junior Class	1,750	1,454	(780)	(1,855)	569
Sophomore Class	506	-	(41)	40	505
Freshman Class	200	-	(1)	(42)	157
8th Grade Class	246	-	-	(117)	129
7th Grade Class	30	50	-	(57)	23
Petty Cash	400	-	-	(400)	-
In - Out	369	7,440	(7,440)	(369)	-
<b>Total cash basis</b>	<b>\$ 33,628</b>	<b>\$ 84,933</b>	<b>\$ (86,871)</b>	<b>\$ -</b>	<b>\$ 31,690</b>
Plus FY2014 outstanding checks		-	494		494
Less FY2013 outstanding checks		-	(2,327)		-
<b>Total modified accrual basis</b>		<b>\$ 84,933</b>	<b>\$ (88,704)</b>		<b>\$ 32,184</b>

See Independent Auditors' Report

INTERNAL CONTROL AND COMPLIANCE SECTION



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*

To the Board of Trustees  
Gardiner School District No. 7 and 4

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 Gardiner School District No. 7 and 4 ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Gardiner School District No. 7 and 4's basic financial statements, and have issued our report thereon dated October 8, 2014.

**Internal Control over Financial Reporting**

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

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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Redd & Company, PLLC*

Bozeman, Montana  
October 8, 2014

**Gardiner School District No. 7 and 4  
Schedule of Findings and Responses and Summary of Prior Year Audit Findings  
For the Year Ended June 30, 2014**

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**No Current Year Audit Findings**

**Prior Year State of Montana Compliance Findings:**

2013-1 – ANB Compliance Finding

Status – Implemented

2013-2 – Extracurricular Accounts

Status – Implemented

**Prior Year Federal Award Findings and Questioned Costs**

2013-3 – Inaccurate Attendance Reporting on PL604 Grant

Status – Implemented