

**JORDAN PUBLIC SCHOOLS
JORDAN, MONTANA**

FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2014

JAMES J. WOSEPKA, PC
Certified Public Accountant
Baker, Montana

**JORDAN PUBLIC SCHOOLS
JORDAN, MONTANA
JUNE 30, 2014**

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**JORDAN PUBLIC SCHOOLS
JORDAN, MONTANA
JUNE 30, 2014**

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**JORDAN PUBLIC SCHOOLS
GARFIELD COUNTY
JORDAN, MONTANA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Superintendent and Business Manager/Clerk of the Jordan School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014. Certain comparative information between the current year and the prior is required to be presented in the MD&A. Please read this in conjunction with the District’s basic financial statement.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities answer the questions, “How did we do financially during 2013-2014?” These government-wide statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This accrual basis takes into account all of the current years’ revenues and expenses regardless of when cash is received or paid. It also includes depreciation on capital assets.

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District’s overall financial status. The other statements are fund financial statements that focus on individual parts of the District, report the District’s operation in more detail than the Government-wide financial statements.

Governmental fund financial statements present a short-term view of the District’s activities (they only include current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the District’s general fund and the other governmental funds.

Notes to the financial statements – This section of the audit provides additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. This is followed by required supplementary information, such as budget to actual information for the General Fund and any major special revenue funds with legally adopted budgets. The other supplementary information includes enrollment and extracurricular information and is not a part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Information in the government-wide financial statements helps to determine whether the District is better or worse off as a result of the years' activities. The change in net position (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, you need to consider other non-financial factors in making an assessment of the District's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc. to assess the overall health of the District. Net assets may serve over time, as a useful indicator of a government's financial position. In the District's case, assets exceeded liabilities by \$977,044. The District's financial operations compared to 2012-2013 shows the District with a net change in assets of \$64,740. Our long-term liability was increased overall by \$2,666. A decrease in cash of \$32,373 along with a decrease in taxes receivable of \$4,591, and the net capital assets of \$27,776 with inventories of \$0 stayed the same; and a \$2,666 increase in liabilities serves to explain net change amount for the District.

JORDAN PUBLIC SCHOOLS Statement of Net Position Comparison

	2012-13	2013-14
Assets:		
Cash and Investments	\$570,430	\$538,057
Receivables:		
Property taxes	39,415	34,824
Inventories	-	-
Capitol Assets:		
Land	61,080	61,080
Other capital assets, net of depreciation	442,796	415,020
TOTAL ASSETS	\$1,113,721	\$1,048,981
Liabilities:		
Non-current liabilities:		
Due within one year	3,000	35,828
Due in more than one year	66,271	36,109
TOTAL LIABILITIES	\$69,271	\$71,937
Net Position:		
Invested in capital assets	\$503,876	\$476,100
Unrestricted net assets	150,340	201,581
Restricted net assets		
Transportation	91,830	79,870
Food Service	3,615	1,192
Technology	6,620	4,977
Educational purposes	226,806	151,741
Capital projects	61,363	61,583
TOTAL NET POSITION	\$1,044,450	\$977,044

JORDAN PUBLIC SCHOOLS
Comparative Operating Statement

	2012-13	2013-14
Revenues:		
Charges for Services	\$27,041	\$22,335
Operating Grants	167,985	274,318
Property Taxes	674,986	577,186
Federal & State shared revenues	119,199	103,990
Unrestricted Grants	1,021,233	1,096,787
Investment Earnings	4,859	4,441
Miscellaneous	7,456	3,294
Transfers	(100,000)	(100,000)
TOTAL REVENUES	\$1,922,759	\$1,982,351
 Expenditures:		
Instructional services	\$854,149	\$806,725
Students	53,507	53,346
Instructional staff	48,176	42,477
District Administration	121,145	129,346
School Administration	57,192	59,127
Business Services	39,493	43,673
Operation & Maintenance	225,578	212,062
Transportation	202,393	190,243
Special Education	95,126	248,797
Vocational Education	117,380	105,187
Extracurricular Programs	61,039	68,263
Food Services	61,305	62,735
Unallocated Depreciation	27,776	27,776
TOTAL EXPENDITURES	\$1,964,259	\$2,049,757

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.

Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts.

DEBT ADMINISTRATION

The District has no bonds. On May 6, 2014, the electors of the Jordan Elementary passed a general fund mill levy for \$27,830 for the 2014-2015 school year. As noted in the 2013-2014 Trustee Financial Summary, the District has a total of \$62,437 in Compensated Absences. This is a long-term debt that could be a substantial liability for the District in the future.

THE DISTRICT'S FUTURE

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

****Taxable valuation:** For the 2013-2014 school year, the Elementary valuation decreased \$2.83 per MILL and the County High School increased \$4.55 per MILL. The elementary stayed the same with their ANB numbers at 107 from the previous year, and the high school increased their ANB numbers to 66 from the previous year.

****Health Insurance premiums:** Jordan Education Association did not negotiate health insurance in the collective bargaining agreement for the 2013-2014 school year. The district pays \$500 per month per employee for the single premiums. Employees had three options to choose from and contributed an additional \$0 for the Basic Plan, or \$185 per month for the High Deductible Health Plan.

****Enrollment:** Enrollment continually influences dollars generated by state entitlements. Decreases in enrollment mean decreases in the amount of ANB (average number belonging) each school receives from the state. The High School is starting its increasing enrollment trend as predicted by way of bigger class sizes phasing out smaller ones for a four-year period. Enrollment for the 2013-2014 year increased to (66) from the previous years [(63) 2012-2013, (56) 2011-2012] school years. The population trend will decrease as seen in the in the high school as predicted for the official count of (58) students on October 6, 2014.

The K-8 enrollment decreased at 82 for the 2013-2014 year as opposed to [(96) 2011-2012 (98) 2012-2013] school years. The enrollment will show a little increase in the upcoming year for the official count of (86) students for the K-8 on October 6, 2014.

****Staffing:** Recruitment and retention of highly qualified teachers and aides (required by NCLB) continues to be a determining factor in the cost of teachers between the Elementary and the High School budgets. Isolation and salaries by neighboring states and cities impact the ability of the local district to recruit and retain teachers for open positions. The State Office of Public Instruction is fully aware of the problems districts are facing in recruitment and retention and continue working with the schools to provide emergency authorizations when deemed necessary. The amount of applicants for open high school positions in Jordan decreases each year.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact the Superintendent, Nathan Olson, or the Business Manager, Anna Guesanburu at P.O. Box 409, Jordan, Mt. 59337 406-557-2259.

**JORDAN PUBLIC SCHOOLS
GARFIELD COUNTY DISTRICT HIGH SCHOOL #1
AND
JORDAN ELEMENTARY SCHOOL DISTRICT #1
JORDAN, MONTANA**

ORGANIZATION
June 30, 2014

UNIFIED BOARD OF TRUSTEES

Bryan Phipps	Chair
Toni Murnion	Vice-Chair
Michael Green	Secretary
Diane Colvin	Trustee
Clyde Phipps	Trustee

OFFICIALS

Jennifer O'Connor	District Superintendent
Anna Guesanburu	Clerk of the Unified Board
Gary Ryder	County Attorney
Jessica McWilliams	County Superintendent of Schools



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James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

Independent Auditor's Report

Board of Trustees
Jordan Public Schools
Jordan, Montana 59337

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - iv and 24 - 28 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 Jordan Public Schools, Jordan, Montana's basic financial statements. The other supplemental information on pages 29 – 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information on pages 29 – 34 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the other supplemental information on pages 29 – 34 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 13, 2014, on our consideration of Jordan Public Schools, Jordan, 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 Jordan Public Schools, Jordan, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Baker, Montana
October 13, 2014

JORDAN PUBLIC SCHOOLS
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 538,057
Taxes/assessments receivable	34,824
Inventories	-
Capital assets not being depreciated	
Land	61,080
Capital assets being depreciated (net of accumulated depreciation)	415,020
Total Assets	1,048,981
LIABILITIES	
Noncurrent liabilities:	
Due within one year	35,828
Due in more than one year	36,109
Total Liabilities	71,937
NET POSITION	
Net investment in capital assets	476,100
Unrestricted net position	201,581
Restricted net position	
Transportation	79,870
Food service	1,192
Technology	4,977
Educational purposes	151,741
Capital projects	61,583
Total Net Position	\$ 977,044

The notes to the financial statements are an integral part of this statement.

JORDAN PUBLIC SCHOOLS
Statement of Activities
Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Primary government:				
Instructional services	\$ 806,725	\$ 550	\$ 99,566	\$ (706,609)
Supporting services:				
Students	53,346	-	-	(53,346)
Improvement of instructional services	42,477	-	-	(42,477)
District administration	129,346	-	-	(129,346)
School administration	59,127	-	-	(59,127)
Business	43,673	-	-	(43,673)
Operation & maintenance of facility	212,062	-	-	(212,062)
Transportation	190,243	-	109,504	(80,739)
Special education	248,797	-	32,433	(216,364)
Vocational education	105,187	-	9,300	(95,887)
Extracurricular programs	68,263	-	-	(68,263)
School lunch services	62,735	21,785	23,515	(17,435)
Unallocated depreciation	27,776	-	-	(27,776)
Total governmental activities	\$ 2,049,757	\$ 22,335	\$ 274,318	(1,753,104)
General revenues:				
Property taxes				577,186
Unrestricted Federal/State shared revenues				103,990
Unrestricted grants and contributions				1,096,787
Unrestricted investment earnings				4,441
Miscellaneous				3,294
Transfers				(100,000)
Total general revenues and transfers				1,685,698
Change in net position				(67,406)
Total net position - July 1, 2013				1,044,450
Total net position - June 30, 2014				\$ 977,044

The notes to the financial statements are an integral part of this statement.

JORDAN PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2014

Description	General	Elementary Miscellaneous	High School Transportation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 234,849	\$ 82,820	\$ 61,564	\$ 158,824	\$ 538,057
Tax/assessment receivable	29,693	-	2,666	2,465	34,824
Inventories	-	-	-	-	-
Total Assets	264,542	82,820	64,230	161,289	572,881
DEFERRED INFLOWS OF RESOURCES -					
Unavailable revenue-property taxes	29,693	-	2,666	2,465	34,824
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	82,820	61,564	149,848	294,232
Assigned	75,359	-	-	8,976	84,335
Unassigned	159,490	-	-	-	159,490
Total fund balances	234,849	82,820	61,564	158,824	538,057
Total deferred inflows of resources and fund balances	\$ 264,542	\$ 82,820	\$ 64,230	\$ 161,289	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Total net position - governmental activities	\$ 977,044
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The notes to the financial statements are an integral part of this statement.

JORDAN PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

Description	General	Elementary Miscellaneous	High School Transportation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 502,928	\$ -	\$ 45,045	\$ 33,804	\$ 581,777
Earnings on investments	3,014	-	325	1,102	4,441
School lunch sales	-	-	-	21,785	21,785
Other local sources	3,294	19,588	53,748	140,272	216,902
State revenue	1,060,109	-	57,494	21,412	1,139,015
Federal aid	-	70,283	-	52,739	123,022
Total Revenues	1,569,345	89,871	156,612	271,114	2,086,942
EXPENDITURES					
Current:					
Instructional services	561,232	83,006	-	156,821	801,059
Supporting services:					
Students	46,136	-	-	7,210	53,346
Improvement of instructional services	37,456	-	-	5,021	42,477
District administration	114,376	-	1,989	12,981	129,346
School administration	52,307	-	-	6,820	59,127
Business services	32,849	-	4,520	9,304	46,673
Operation & Maintenance of facilities	199,311	-	-	12,751	212,062
Transportation	-	-	158,235	32,008	190,243
Special education	215,912	19,588	-	13,297	248,797
Vocational programs	85,195	-	-	19,992	105,187
Extracurricular programs	66,989	-	-	1,274	68,263
Food services	11,698	-	-	51,037	62,735
Total Expenditures	1,423,461	102,594	164,744	328,516	2,019,315
Excess of revenues (under) over expenditures	145,884	(12,723)	(8,132)	(57,402)	67,627
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers out	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	(100,000)	-	-	-	(100,000)
Net change in fund balances	45,884	(12,723)	(8,132)	(57,402)	(32,373)
Fund balances - July 1, 2013	188,965	95,543	69,696	216,226	570,430
Fund balances - June 30, 2014	\$ 234,849	\$ 82,820	\$ 61,564	\$ 158,824	\$ 538,057

The notes to the financial statements are an integral part of this statement.

JORDAN PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds (page 8)	<u>\$ (32,373)</u>
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
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	-
Depreciation expense	<u>(27,776)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>(4,591)</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
Long-term loan/contract principal payments	<u>3,000</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences	<u>(5,666)</u>
Change in Net Position in Governmental Activities	<u><u>\$ (67,406)</u></u>

JORDAN PUBLIC SCHOOLS
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2014

Description	<u>Trust Funds</u> Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 381,406
Total Assets	381,406
NET POSITION	
Held for interlocal agreement purposes	310,108
Held for student activities	71,298
Total Net Position	\$ 381,406

The notes to the financial statements are an integral part of this statement.

JORDAN PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2014

Description	Trust Funds Private Purpose Trust Funds
ADDITIONS:	
Student activities revenue	\$ 88,001
Investment earnings	242
Transfers in	100,000
	188,243
DEDUCTIONS:	
Administrative expenses	2,380
Student activities	97,353
	99,733
Total Additions	188,243
Total Deductions	99,733
Change in net position	88,510
Net position - July 1, 2013	292,896
Net position - June 30, 2014	\$ 381,406

The notes to the financial statements are an integral part of this statement.

**JORDAN PUBLIC SCHOOLS
GARFIELD COUNTY DISTRICT HIGH SCHOOL #1
AND
JORDAN ELEMENTARY SCHOOL DISTRICT #1
JORDAN, MONTANA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of Jordan Public Schools (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

All operations of the District are controlled by a Unified Board of Trustees, elected in district-wide elections, and responsible for all the District's activities. The financial statements include all of the District's operations controlled by the Unified Board of Trustees. Based on the criteria for determining the reporting entity (oversight responsibility, financial accountability, services, and special relationships), the District is considered to be an independent reporting entity. The following activity is not controlled by the Board and is not included:

Big Country Cooperative - The District and twenty other districts belong to this Special Education Cooperative. The State's contribution for the District's Special Education students was paid directly to the Co-op and is not included in the District's financial statements.

There are no other organizations that are financially dependent on the District or otherwise could be considered component units of the District.

Under state law, the District consists of two legally separate districts, high school and elementary. The high school district includes all of the area covered by the elementary district. The elementary district provides education from kindergarten through the eighth grade and the high school provides education from grades nine through twelve and adult education classes.

Although the districts are accounted for separately because of differences in funding and legal requirements, the districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The elementary and high school general funds have been combined and reported as the General Fund in the accompanying financial statements.

1. **Summary of Significant Accounting Policies - cont.**

Basis of Presentation and Basis of Accounting

Government-wide Statements - The Statements of Net Position and the Statement of Activities show information about the overall financial position and activities of the School District, with the exception of the student activity and endowment funds.

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

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. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Fund Financial Statements - These statements provide information about the District's funds including a separate statement for the District's fiduciary funds (the student activity fund and the inter-local agreement fund). Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year end are not significant. Deferred inflows are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

1. **Summary of Significant Accounting Policies - cont.**

Fund Financial Statements – cont.

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

Major Funds - Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, 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.

Elementary Miscellaneous Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state, or federal grants and reimbursements. Donations and expendable trust for scholarships or other purposes that support district programs are deposited in this fund.

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

The District reports the following fund types:

Trust Funds - The District also has private-purpose trust funds, its student activity fund, which accounts for the extracurricular activities of its students.

Interlocal Agreement Fund - The District also has established an Interlocal Agreement Fund for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

Cash and Investments

Except for the Extracurricular Fund, all cash and investments are held by the County Treasurer.

Capital Assets

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized.

1. **Summary of Significant Accounting Policies - cont.**

Capital Assets – cont.

Depreciation is computed using the straight-line methods and the estimated useful lives are as follows:

Buildings and improvements	25-80 years
Equipment	5-40 years

Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method, which is other than GAAP, is used for these accounts. Management does not believe that the accounting method being used results in any material differences.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand, as of June 30, 2014, are maintained but not considered material for audit purposes.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Deferred Outflows/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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

1. **Summary of Significant Accounting Policies - cont.**
Deferred Outflows/Inflows of Resources – cont.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District has inventories that are considered nonspendable. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints by a formal action of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the General Fund that is not constrained for any particular purpose.

1. **Summary of Significant Accounting Policies - cont.**
Fund Balance Reporting – cont.

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Elementary Miscellaneous	High School Transportation		
Restricted:					
Technology	\$ -	\$ -	\$ -	\$ 4,977	\$ 4,977
Transportation	-	-	61,564	13,175	74,739
Food Service	-	-	-	1,192	1,192
Retirement	-	-	-	10,951	10,951
Traffic Education	-	-	-	647	647
Compensated Absences	-	-	-	9,701	9,701
Capital Projects	-	-	-	61,583	61,583
School Operations	-	82,820	-	47,622	130,442
Assigned:					
School Operations	75,359	-	-	-	75,359
Capital Projects	-	-	-	8,976	8,976
Unassigned	159,490	-	-	-	159,490
Total Fund Balance	\$ 234,849	\$ 82,820	\$ 61,564	\$ 158,824	\$ 538,057

Committed and assigned fund balances are determined by the Board of Trustees.

2. **Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds, and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Contracts payable	\$ (9,500)
Compensated absences	<u>(62,437)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (71,937)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**

statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ -
Depreciation expense	<u>(27,776)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$(27,776)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this difference are as follows:

Principal repayments:	
Contracts payable	<u>\$ 3,000</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 3,000</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	<u>\$ (5,666)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (5,666)</u></u>

3. **Property Taxes Receivable**

As discussed in Note 1, the District records property tax not collected and offsets this amount in deferred inflow accounts. Each fiscal year end, the County Treasurer supplies the District with the balance of uncollected property taxes.

Detailed information on collections and levies are not made available to the District. Reconciliations of these amounts are not considered practical whereas all information is maintained by the County Treasurer.

4. **Property Taxes**

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 State Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

4. **Property Taxes – cont.**

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% per 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.

The District is permitted by State statutes to levy taxes for various purposes. The taxes levied by the District for the year ended June 30, 2014 were properly established and were within the legal limits or approved by the voters.

5. **Cash and Investments**

Cash and investments, except for those of the Extracurricular Fund, are held by the County Treasurer in an agency fund. The County Treasurer invests the cash as directed by the District.

Authorized investments allowed by Section 20-9-213, MCA, include direct obligations of the United States government; 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.

At year end, the carrying amount of the District's bank deposits and bank balance for the Extracurricular Fund was \$71,298. The bank balance was fully covered by Federal Depository Insurance.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits, either in the District's name or Garfield County Treasurer's name, are held as authorized by the State of Montana.

Custodial Credit Risk

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

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entities' money is insured for each "public unit" based on how the account is titled at the financial institution. The District's Certificate of Deposit is titled in the name of the County Treasurer, as the Custodian for the District;

5. **Cash and Investments – cont.**

therefore, the District has separate FDIC coverage from the other funds under the control of the Garfield County Treasurer. The Garfield County government is considered to have \$250,000 FDIC coverage for demand deposits and \$250,000 FDIC coverage for time and savings deposits in each bank in the state.

Credit, Interest Rate, and Foreign Currency Risk

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities as there are no debt securities owned by the District nor does the District own any foreign investments.

6. **Long-term Debt**

Compensated Absences

The compensated absences are due to various administration personnel of the School Districts. Amounts will be disbursed in the future and, therefore, are a liability to the School.

Noncertified employees accrue 12 days sick leave each year without limit and may elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash. Noncertified employees accrue 15 to 24 days of vacation leave each year, up to two times the maximum number of days earned annually. Employees are allowed to receive pay in lieu of vacation days not used upon termination.

	<u>Total</u>
Compensated Absences 6/30/13	\$ 56,771
Change	5,666
Compensated Absences 6/30/14	<u>\$ 62,437</u>

Compensated absences are shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Teachers receive 12 days of sick leave each year and may accumulate up to 60 days. Teachers may elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash. Teachers do not receive paid vacations, but are paid only for the number of days they are required to work each year.

The Superintendent receives 10 hours of sick leave per month, accumulative to 400 hours, and may also elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash. The Superintendent also receives 20 days of vacation leave each year.

Due Former Employee

The School Districts have agreed to pay \$250 per month of health insurance for a former employee until the former employee turns 65 or until November of 2018. The payments are being paid one-half each from the High School and the Elementary School General Funds.

6. **Long-term Debt – cont.**

Due Former Employee – cont.

The annual amount to retire the liability is as follows:

2015	\$	3,000
2016		3,000
2017		3,000
2018		500
	\$	<u>9,500</u>

7. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Montana School Groups Worker’s Compensation Risk Retention Program, a statewide public risk pool currently operating as a common risk management and insurance program for member school districts. The District pays quarterly premiums for its employee injury insurance coverage.

The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The District carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the District through the date of this audit report for the year ended June 30, 2014.

9. **Estimates**

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

10. **Transfers**

The District made the following transfers during the fiscal year:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
EL General	\$ (50,000)	general operating
HS General	\$ (50,000)	general operating
EL Interlocal Agreement	\$ 100,000	general operating

11. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 61,080	\$ -	\$ -	\$ 61,080
Total capital assets, not being depreciated	<u>61,080</u>	<u>-</u>	<u>-</u>	<u>61,080</u>
Capital assets, being depreciated:				
Buildings and improvements	1,116,989	-	-	1,116,989
Furniture and equipment	155,617	-	-	155,617
Total capital assets, being depreciated	<u>1,272,606</u>	<u>-</u>	<u>-</u>	<u>1,272,606</u>
Accumulated depreciation for:				
Buildings and improvements	(718,634)	(21,643)	-	(740,277)
Furniture and equipment	(111,176)	(6,133)	-	(117,309)
Total accumulated depreciation	<u>(829,810)</u>	<u>(27,776)</u>	<u>-</u>	<u>(857,586)</u>
Total capital assets, being depreciated, net	<u>442,796</u>	\$ <u>(27,776)</u>	\$ -	<u>415,020</u>
Governmental activities capital assets, net	\$ <u>503,876</u>			\$ <u>476,100</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Unallocated	\$ <u>27,776</u>
Total depreciation expense, governmental activities	\$ <u>27,776</u>

12. Statewide Retirement Plans

The District participates in two statewide cost-sharing multiple-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part time nonteaching employees. The Teachers Retirement System (TRS) covers certified teaching employees. The Public Employees Retirement System (PERS) covers nonteaching employees. The plans are established by state law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans.

Those reports may be obtained from the following:

Teachers Retirement System
 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

12. Statewide Retirement Plans – cont.

The financial statement for PERS includes activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be co-mingled with those of another plan.

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

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	8.47	8.15	16.62
PERS	6.80	6.90	13.70
PERS hired after 7/1/11	6.80	7.90	14.70

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. This is considered an "on-behalf" payment. The District does not record this contribution in their financial statements which is not in accordance with U.S. generally accepted accounting principles. The covered payrolls for each plan are as follows:

	<u>PERS</u>	<u>TRS</u>
Covered Payroll	\$ <u>170,667</u>	\$ <u>771,118</u>
Employee Contributions	13,483	62,846
Employer Contributions	13,312	65,314

The District's contributions for the years ended June 30, 2012 and 2013 were \$11,558 and \$11,803 for PERS and \$56,109 and \$56,900 for TRS respectively.

13. Subsequent Events

The District has evaluated subsequent events through October 13, 2014, the date which the financial statements were available to be issued.

14. Commitments

The District has committed to the following encumbrances:

General	\$ 75,359
EL Miscellaneous	2,995
HS Miscellaneous	3,277
EL Food Service	114
HS Technology	294
EL Technology	294
	<u>\$ 82,333</u>

REQUIRED
SUPPLEMENTAL INFORMATION

JORDAN PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2014

	Original Budget Amounts	Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 513,863	\$ 513,863	\$ 502,928	\$ (10,935)
Earnings on investments	3,039	3,039	3,014	(25)
Other local sources	7,456	7,456	3,294	(4,162)
State revenue	1,060,109	1,060,109	1,060,109	-
Federal aid	-	-	-	-
Total revenues	<u>1,584,467</u>	<u>1,584,467</u>	<u>1,569,345</u>	<u>(15,122)</u>
Expenditures:				
Current:				
Instructional services	683,584	683,584	556,729	126,855
Supporting services:				
Students	51,105	51,105	45,677	5,428
Improvement of instruction services	45,199	45,199	36,296	8,903
District administration	155,112	155,112	114,977	40,135
School administration	72,220	72,220	51,104	21,116
Business services	44,564	44,564	35,419	9,145
Operation and maintenance of facilities	272,813	272,813	234,109	38,704
Special education	51,244	51,244	217,244	(166,000)
Vocational programs	110,172	110,172	92,319	17,853
Extracurricular programs	73,000	73,000	67,164	5,836
Food services	26,497	26,497	12,271	14,226
Capital outlay	-	-	-	-
Total expenditures	<u>1,585,510</u>	<u>1,585,510</u>	<u>1,463,309</u>	<u>122,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,043)</u>	<u>(1,043)</u>	<u>106,036</u>	<u>107,079</u>
Other Financing Sources:				
Transfers	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net change in fund balance	<u>\$ (1,043)</u>	<u>\$ (1,043)</u>	6,036	<u>\$ 7,079</u>
Fund balance - beginning - Budget and GAAP basis			153,454	
Fund balance - ending - Budget basis			<u>159,490</u>	
Current year encumbrances			75,359	
Fund balance - ending - GAAP basis			<u>\$ 234,849</u>	

JORDAN PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
High School Transportation Fund
Year Ended June 30, 2014

	Original Budget Amounts	Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 42,288	\$ 42,288	\$ 45,045	\$ 2,757
Earnings on investments	-	-	325	325
Other local sources	59,798	59,798	53,748	(6,050)
State revenue	63,544	63,544	57,494	(6,050)
Total revenues	<u>165,630</u>	<u>165,630</u>	<u>156,612</u>	<u>(9,018)</u>
Expenditures:				
Current:				
Instructional services	-	-	-	-
Supporting services:				
Students	-	-	-	-
Improvement of instruction services	-	-	-	-
District administration	1,990	1,990	1,989	1
School administration	-	-	-	-
Business services	4,521	4,521	4,520	1
Operation and maintenance of facilities	-	-	-	-
Transportation	189,594	189,594	158,235	31,359
Special education	-	-	-	-
Vocational programs	-	-	-	-
Extracurricular programs	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>196,105</u>	<u>196,105</u>	<u>164,744</u>	<u>31,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,475)</u>	<u>(30,475)</u>	<u>(8,132)</u>	<u>22,343</u>
Other Financing Sources:				
Transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (30,475)</u>	<u>\$ (30,475)</u>	<u>(8,132)</u>	<u>\$ 22,343</u>
Fund balance - beginning - Budget and GAAP basis			<u>69,696</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 61,564</u>	

**JORDAN PUBLIC SCHOOLS
GARFIELD COUNTY HIGH SCHOOL DISTRICT #1
and
JORDAN ELEMENTARY SCHOOL DISTRICT #1
Notes to Required Supplemental Information**

June 30, 2014

Budgets

An annual appropriated budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. All budgets are formulated in accordance with state law and are prepared on the basis of accounting described above.

The General Fund budgets are based on the State's Foundation Program, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated revenues and expenditures. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers, if applicable.

Preliminary budgets must be adopted by August 15 and the final budget on the fourth Monday in August. Budget appropriations not expended or obligated (as described above) lapse at the end of the fiscal year.

The Elementary Miscellaneous Fund is also a major fund, but does not require a budget.

The District overspent both the High School and Elementary Retirement Fund budgets.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General, Special Revenue, and Capital Projects funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" established by the Office of Public Instruction in the Montana School Accounting Manual and as defined in the Administrative Rules of Montana (ARM 10.10.101).

Encumbrances – cont.

The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.
2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2014, the District incurred \$82,333 of encumbrances.

SUPPLEMENTAL INFORMATION

JORDAN PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-major Budgeted Special Revenue Funds
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 34,530	\$ 34,530	\$ 33,793	\$ (737)
Earnings on investments	-	-	498	498
Other local sources	127,025	127,025	126,877	(148)
State revenue	6,512	6,512	6,364	(148)
Total local sources	<u>168,067</u>	<u>168,067</u>	<u>167,532</u>	<u>(535)</u>
Expenditures:				
Current:				
Instructional services	91,199	91,199	117,688	(26,489)
Supporting services:				
Students	7,248	7,248	7,210	38
Improvement of instructional services	5,185	5,185	5,021	164
District administration	12,602	12,602	12,981	(379)
School administration	7,498	7,498	6,820	678
Business services	9,215	9,215	9,304	(89)
Operation and maintenance of facilities	13,235	13,235	12,751	484
Transportation	37,305	37,305	32,008	5,297
Special education	2,876	2,876	452	2,424
Vocational programs	12,346	12,346	8,917	3,429
Extracurricular programs	5,025	5,025	1,274	3,751
Food services	3,525	3,525	3,290	235
Total expenditures	<u>207,259</u>	<u>207,259</u>	<u>217,716</u>	<u>(10,457)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,192)</u>	<u>(39,192)</u>	<u>(50,184)</u>	<u>(10,992)</u>
Other Financing sources (uses)				
Transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (39,192)</u>	<u>\$ (39,192)</u>	(50,184)	<u>\$ (10,992)</u>
Fund balances - beginning - Budget and GAAP basis			<u>78,699</u>	
Fund balances - ending - Budget basis			28,515	
Current year encumbrances			588	
Fund balances - ending - GAAP basis			<u>\$ 29,103</u>	

JORDAN PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Budgeted Capital Projects Funds
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ 11	\$ 11
Earnings on investments	-	-	445	445
State sources	-	-	8,678	8,678
Total revenues	<u>-</u>	<u>-</u>	<u>9,134</u>	<u>9,134</u>
Expenditures:				
Maintenance and custodial	<u>54,787</u>	<u>54,787</u>	-	<u>54,787</u>
Total expenditures	<u>54,787</u>	<u>54,787</u>	-	<u>54,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,787)</u>	<u>(54,787)</u>	<u>9,134</u>	<u>63,921</u>
Net change in fund balances	<u>\$ (54,787)</u>	<u>\$ (54,787)</u>	9,134	<u>\$ 63,921</u>
Fund balance - beginning - Budget and GAAP basis			<u>52,449</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 61,583</u>	

**JORDAN PUBLIC SCHOOLS
GARFIELD COUNTY DISTRICT HIGH SCHOOL #1
AND
JORDAN ELEMENTARY SCHOOL DISTRICT #1
GARFIELD COUNTY**

**SCHEDULE OF STUDENT ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2014**

FALL ENROLLMENT 10\13	Audit Per District <u>Records</u>	Enrollment <u>Report</u>
Kindergarten	8	8
Grades One - Six	62	62
Grades Seven - Eight	14	14
Total	<u>84</u>	<u>84</u>
Grades Nine - Twelve	66	66
Total	<u>150</u>	<u>150</u>
 WINTER ENROLLMENT 12/13		
	Audit Per District <u>Records</u>	Enrollment <u>Report</u>
Kindergarten	8	8
Grades One - Six	62	62
Grades Seven - Eight	14	14
Total	<u>84</u>	<u>84</u>
Grades Nine - Twelve	66	66
Total	<u>150</u>	<u>150</u>
 SPRING ENROLLMENT 2/14		
	Audit Per District <u>Records</u>	Enrollment <u>Report</u>
Kindergarten	8	8
Grades One - Six	60	60
Grades Seven - Eight	14	14
Total	<u>82</u>	<u>82</u>
Grades Nine - Twelve	66	66
Total	<u>148</u>	<u>148</u>

**JORDAN PUBLIC SCHOOLS
JORDAN, MONTANA**

DISTRICT TAX LEVIES - ALL APPLICABLE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

ELEMENTARY SCHOOL

General	153.86
Transportation	<u>21.89</u>
TOTAL	<u><u>175.75</u></u>

HIGH SCHOOL

General	51.42
Transportation	<u>8.02</u>
TOTAL	<u><u>59.44</u></u>

DISTRICT TAXABLE VALUATION

Elementary	\$ 1,577,466
High School	\$ 5,273,734

JORDAN PUBLIC SCHOOLS
Schedule of Changes
Student Activities Fund
Year Ended June 30, 2014

	Net Position at July 1, 2013	Additions	Deductions	Transfers	Net Position at June 30, 2014
Annual	\$ 7,806	\$ 3,375	\$ 4,672	\$ -	\$ 6,509
Athletics	1,598	24,475	19,799	(2,343)	3,931
Athletics-Part B	26,231	1,576	17,214	2,343	12,936
Band	609	51	546	-	114
BPA	2,974	9,214	7,231	-	4,957
Nut Hut	1,661	3,114	4,421	-	354
Scholarship Fund	2,701	1,010	1,000	-	2,711
Fingerprint Clearing	-	136	136	-	-
FCCLA	1,322	2,094	1,812	(160)	1,444
FACS	1	535	536	-	-
Honor Society	618	1,092	1,245	-	465
Pep Club	5,630	17,657	15,503	-	7,784
Shop Projects	228	-	-	-	228
FFA	285	4,356	3,345	-	1,296
Speech & Drama	1,533	5	-	-	1,538
Student Council	1,116	1,942	2,285	160	933
Class of 2013	87	-	-	(87)	-
Class of 2014	2,243	66	1,259	(200)	850
Class of 2015	3,508	4,841	5,157	-	3,192
Class of 2016	3,225	1,416	45	-	4,596
Class of 2017	-	945	-	87	1,032
Class of 2018	-	-	-	200	200
ITV Clearing Account	644	1,198	1,842	-	-
Student Assistance	5,762	1,717	1,529	-	5,950
Adult Ed	586	-	-	-	586
Library	152	2,058	2,110	(92)	8
7th Grade	168	-	-	(168)	-
8th Grade	550	1,384	1,953	168	149
K - 8 Field Trip	4,796	16	650	-	4,162
Student Assistance	4,374	3,972	3,065	92	5,373
Total net position	\$ 80,408	\$ 88,245	\$ 97,355	\$ -	\$ 71,298



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Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

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
Jordan Public Schools
Jordan, Montana 59337

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 Jordan Public Schools, Jordan, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Jordan Public Schools, Jordan, Montana's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control over Financial Reporting

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

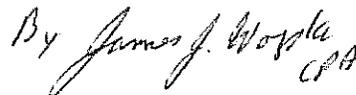
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jordan Public Schools, Jordan, Montana'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.

James J. Wosepka, PC

By  CPA

Baker, Montana
October 13, 2014

**JORDAN PUBLIC SCHOOLS
JORDAN, MONTANA**

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

OVERSPENT BUDGET

MCA 29-9-133(s) states that expenditures are limited to the total amount that is in the fund's final budget. The School District overspent their High School and Elementary Retirement Funds.

Recommendation

The School District needs to monitor expenditures to be sure expenditures do not exceed appropriation.

Response

The School District has responded in writing. The response is attached to this report.

JORDAN PUBLIC SCHOOLS

Garfield County District High School
Jordan Elementary School District #1
324 Marguerite Street / P.O. Box 409, Jordan, MT 59337
406-557-2259 phone / 406-557-2778 fax
Website: jordanpublicschools.org / Facebook: Jordan Public Schools
e-mail: gcdhs@midrivers.com / jes@midrivers.com

October 14, 2014

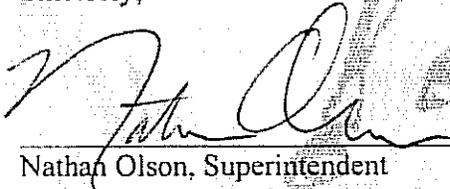
James J. Wosepka
41 Central Ave South
PO Box 970
Beach, ND 58621-0970

Dear Mr. Wosepka,

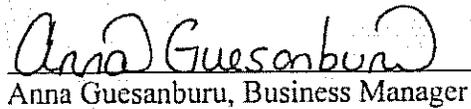
This letter is in regards to the schedule of findings about the over spent expenditures in the Elementary and High School Retirement Funds. In the 2014 budget there was a calculation of excess Retirement Fund Operating Reserves due to the Teachers' Retirement System. This calculation led to the over spending of funds for both Elementary and High School Retirement Funds.

The budgeted funds in the future will be monitored more closely to ensure that if this calculation happens again it will be added to the budget for that year.

Sincerely,



Nathan Olson, Superintendent



Anna Guesanburu, Business Manager