

PLEVNA SCHOOL DISTRICT
SCHOOL DISTRICT NO. 55
FALLON COUNTY
PLEVNA, MONTANA

FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2014

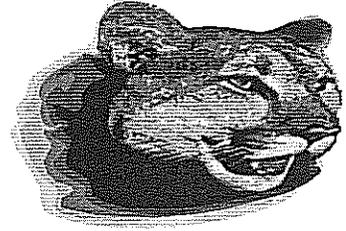
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Certified Public Accountant
Baker, Montana

PLEVNA PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 55
PLEVNA, MONTANA

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PLEVNA SCHOOL DISTRICT #55
FALLON COUNTY
PLEVNA, MONTANA



MANAGEMENT'S DISCUSSION AND ANALYSIS
2013-2014

This section of Plevna School's annual financial report presents our discussion and analysis of the Districts' financial performance for the fiscal year which ended June 30, 2014. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

The District's financial operations in 2013-2014 were steady during the year. Net position increased by \$250,750 from the prior year. For the 2013-2014 year there was \$99,191 in buildings and equipment depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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, reporting the District's operations in more detail the Government-wide financial statements.

Government-wide financial statements report information using full accrual accounting methods, which are the methods used by most private-sector companies. It includes *all* of the District's assets and liabilities, and all of the District's revenues and expenses, regardless of when cash is received or paid out. It also includes depreciation on capital assets.

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.

The financial statements also include footnotes that explain in more detail some of the information included in the body of the 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 year's 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.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District is required to provide detailed information for the most significant of the District's funds. Major funds are defined as the General Fund, Miscellaneous Fund, and Building Reserve Fund where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts.

The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

The General fund had other financing sources through Montana Oil and Gas tax of \$338,985 as compared to \$407,784 in the 2012-2013 budget, \$155,726 was reappropriated for the budget in the event that oil and gas might decline; the Building Reserve received \$375,000, and expended \$234,738 for the operation of the district; the Technology Fund received \$55,000 to assist with technology purchases; the Transportation Fund received \$102,827; the Bus Depreciation Fund received \$74,305 for the purchase of buses; and the Flexibility Fund received \$535,324 for the operation of the district. The total amount which helped in the operation of our school district was \$1,481,440. Due to Senate Bill 175 we did not have to send oil and gas revenue to the state which helped with district funding. Also, the district received additional funds which were deposited into the Transportation and Bus Depreciation Funds due to SB 175 and concentric circles in the amount of \$55,654.

The District was required to remit \$34,260 to TRS as a result of House Bill 377, approved in the 2013 legislative session, which contained a provision, requiring school districts to remit excess operating reserves to the Teachers' Retirement system. A budget amendment was then passed for the amount of \$35,000 to the Retirement Fund as the district's budget did not provide sufficient financing to properly maintain and support the district for the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The net investment in capital assets decreased \$72,355. The only debt of the district is compensated absences, or accrued vacation and sick leave that are due to employees of the District.

BUDGETARY HIGHLIGHTS

Technology continues to be an expensive component in the education of our students. The network system is expensive to maintain as well as the equipment to remain current. During the year we purchased 10 computers and four tablets.

The base salary for the 2013-2014 school year was \$29,200. Insurance increased 7% for the 2013-2014 school year. All employees have a high deductible plan and were given \$3,000 for a health savings account for a one year settlement for the collective bargaining agreement. Full time employees each received full coverage through MSHWP's Blue Cross Blue Shield at a rate of \$1,210.

FACTORS BEARING ON THE DISTRICT'S FUTURE

We have received Regular Accreditation status through the Office of Public Instruction for the year.

There are concerns for the future based on the fact that there will not be any senior students or graduates for the class of 2015. The decrease in high school students has created issues for involvement in athletics and the interest in having larger social circles and interactions which has resulted in students leaving the school. If this trend continues, it may be difficult to maintain a K-12 school district. Also, we have a very veteran staff and when retirements occur it may be difficult to fill these positions due to a shallow education pool, complicated by subject area needs as well as our rural location.

Future funding is very questionable. Our enrollment is increasing in the elementary, but is declining in the jr. high/high school. Our 2013-2014 school budget was \$1,230,736.

The District entered into a one year agreement at the conclusion of the 2012-2013 school year. The base for 2013-2014 was \$29,200. The classified staff received a 6% increase to the base rate of \$14.15. For the 2014-2015 school year the base salary remained at \$29,200, and due to the Affordable Care Act and the number of employees within the district we enrolled with MUST to provide insurance at a rate of \$1,250 per employee with each employee receiving a \$3,000 health savings account. Classified employees received a 3.5% increase from \$14.15 to \$14.65 per hour.

For the 2013-2014 school year the district was required to utilize 25% of oil and gas revenue in the general fund, which is beneficial to the district as compared to the 2011 legislature. Also, the district may retain 150% of the district's maximum budget for oil and gas revenue as compared to 130% from the previous legislative session.

We are able to offer a quality education to our students because of the dedicated staff we have within the district. Students rank very highly compared to the state. It has been noticed that scores fluctuate due to the numbers we are testing which can skew the percentages dramatically.

ACADEMIC PROGRESS 2013-2014

The SBAC was given on a trial basis in the spring of 2014 and there were no test results released; therefore, results from the MAP tests given since 2003 were utilized to demonstrate student growth.

READING

Students are measured on the MAP assessment to determine if they are meeting or exceeding typical growth in reading and if they are performing at or above projected proficiency. In the spring of 2014, MAP results showed that 61% of the students in the district were at or above typical growth in reading and that 74% of the students were at or above projected proficiency in reading. The results from the MAP program show that students are learning at a rate higher than typical students and demonstrating a higher rate of proficiency than is projected in reading. In addition, teachers can use the DesCartes component of the MAP program to get information on each student related to the standards, common core, specific reading concepts, and projected material that student is ready to learn. The CRT results have supported MAP results in the past and students have scored very well averaging 90% proficient in reading over the last 10 years. The use of assessments in the district has been a critical component of improving reading achievement for students.

Math

Students are tested on the MAP assessment to determine if they are meeting or exceeding typical growth in math and if they are performing at or above projected proficiency. MAP results for the spring of 2014 showed that 61% of the students in the district were at or above typical growth in math and that 70% of the students were at or above projected proficiency in math. The results from the MAP assessment show that students are learning at a rate higher than typical students and demonstrating a higher rate of proficiency than is projected in math. In addition, teachers can use the DesCartes component of the MAP program to get information on each student related to the standards, common core, specific math concepts, and projected material that the student is ready to learn. The CRT results have supported MAP results in the past and students have scored very well averaging 81% proficient in math over the last 10 years. The use of assessments in the district has been a critical component of improving math achievement for students.

Science

The district scored 79% proficient in science (all tested students in grades 4, 8, and 10) on the CRT test in 2014 compared to 90% proficient in 2013 and 89% in 2012. Grade 4 district students scored 100% proficient compared to 68% state wide. Grade 8 students scored 83% proficient compared to 68% state wide and grade 10 students scored 56% proficient compared to 47% state wide. Overall the district was 18% above the state wide proficiency rate of 61% in 2014.

Please contact the following individuals if you have any questions:

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PLEVNA SCHOOL DISTRICT #55

STATEMENT OF NET POSITION

	2012-2013	2013-2014	CHANGE	%
ASSETS:				
CURRENT ASSETS	\$ 4,959,226	\$ 5,285,463	\$ 326,237	6.58%
NET CAPITAL ASSETS	\$ 1,394,554	\$ 1,322,199	\$ (72,355)	-5.19%
TOTAL ASSETS	\$ 6,353,780	\$ 6,607,662	\$ 253,882	4.00%
LIABILITIES:				
CURRENT LIABILITIES:	\$ 5,000	\$ 5,000	\$ -	0.00%
NON-CURRENT LIABILITIES	\$ 63,447	\$ 66,579	\$ 3,132	4.94%
TOTAL LIABILITIES	\$ 68,447	\$ 71,579	\$ 3,132	4.58%
NET ASSETS:				
NET INVESTMENT IN CAPITAL ASSETS	\$ 1,394,554	\$ 1,322,199	\$ (72,355)	-5.19%
RESTRICTED NET POSITION	\$ 3,717,969	\$ 1,087,212	\$ (2,630,757)	-70.76%
UNRESTRICTED NET POSITION	\$ 1,172,810	\$ 4,126,672	\$ 2,953,862	251.86%
TOTAL NET POSITION	\$ 6,285,333	\$ 6,536,083	\$ 250,750	3.99%

STATEMENT OF REVENUES

PROPERTY TAXES	\$ 115,924	\$ 157,992	\$ 42,068	26.63%
EARNINGS ON INVESTMENT	\$ 7,510	\$ 9,699	\$ 2,189	29.15%
SCHOOL LUNCH SALES	\$ 21,073	\$ 23,920	\$ 2,847	13.51%
OTHER LOCAL SOURCES	\$ 237,986	\$ 237,088	\$ (898)	-0.38%
STATE AID	\$ 563,935	\$ 621,886	\$ 57,951	10.28%
OIL AND GAS TAX	\$ 1,187,057	\$ 1,481,440	\$ 294,383	24.80%
FEDERAL AID	\$ 35,015	\$ 13,568	\$ (21,447)	-61.25%
TOTAL REVENUES	\$ 2,168,500	\$ 2,545,593	\$ 377,093	17.39%

STATEMENT OF EXPENDITURES

INSTRUCTIONAL SERVICES	\$ 841,765	\$ 927,569	\$ 85,804	10.19%
SUPPORT SERVICES			\$ -	
STUDENTS	\$ 24,452	\$ 23,790	\$ (662)	-2.71%
INSTRUCTIONAL STAFF	\$ 39,200	\$ 35,784	\$ (3,416)	-8.71%
DISTRICT ADMINISTRATION	\$ 94,079	\$ 109,897	\$ 15,818	16.81%
SCHOOL ADMINISTRATION	\$ 75,025	\$ 84,907	\$ 9,882	13.17%
BUSINESS	\$ 44,138	\$ 52,975	\$ 8,837	20.02%
OPERATIONS/MAINTENANCE	\$ 272,447	\$ 425,923	\$ 153,476	56.33%
TRANSPORTATION	\$ 151,058	\$ 176,616	\$ 25,558	16.92%
SPECIAL EDUCATION	\$ 54,909	\$ 81,218	\$ 26,309	47.91%
ADULT EDUCATION	\$ -		\$ -	
VOCATIONAL PROGRAMS	\$ 124,841	\$ 172,935	\$ 48,094	38.52%
EXTRACURRICULAR PROGRAMS	\$ 58,987	\$ 58,497	\$ (490)	-0.83%
FOOD SERVICES	\$ 85,573	\$ 97,856	\$ 12,283	14.35%
UNALLOCATED DEPRECIATION	\$ 48,555	\$ 46,876	\$ (1,679)	-3.46%
TOTAL EXPENDITURES	\$ 1,915,029	\$ 2,294,843	\$ 379,814	19.83%

SCHOOL DISTRICT NO. 55
FALLON COUNTY
PLEVNA, MONTANA

ORGANIZATION

June 30, 2014

BOARD OF TRUSTEES

Scot Buerkle
Jodi Miller
Brent Brockel
Terrell Arnold
Vacant

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

OFFICIALS

Jule Walker
Nicole Buerkle
Albert R. Batterman
Don Dilworth

District Superintendent
Clerk of the Board
County Attorney
County Superintendent
of Schools



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Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
School District No. 55
Plevna, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 55, Plevna, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Districts' 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 School District No. 55, Plevna, 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 - 27 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 School District No. 55, Plevna, Montana's basic financial statements. The other supplementary information on pages 28 – 33 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 28 – 33 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 supplementary information on pages 28 – 33 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 September 22, 2014, on our consideration of School District No. 55, Plevna, 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 School District No. 55, Plevna, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By James J. Wosepka
C.P.A.

Baker, Montana
September 22, 2014

PLEVNA PUBLIC SCHOOLS
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,251,052
Taxes/assessments receivable	395
Inventories	34,016
Capital assets not being depreciated	
Land	92,401
Capital assets being depreciated (net of accumulated depreciation)	<u>1,229,798</u>
Total Assets	<u><u>6,607,662</u></u>
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	5,000
Due in more than one year	<u>66,579</u>
Total Liabilities	<u><u>71,579</u></u>
 Net Position	
Net Investment in capital assets	1,322,199
Unrestricted	4,126,672
Restricted for:	
Other educational purposes	<u>1,087,212</u>
Total Net Position	<u><u>\$ 6,536,083</u></u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Primary government:				
Instructional services	\$ 927,569	\$ -	538	\$ (927,031)
Supporting services:				
Students	23,790	-	-	(23,790)
Improvement of instructional services	35,784	-	13,616	(22,168)
District administration	109,897	-	-	(109,897)
School administration	84,907	-	-	(84,907)
Business services	52,975	-	-	(52,975)
Operation & maintenance of facility	425,923	-	-	(425,923)
Transportation	176,616	-	83,082	(93,534)
Special education	81,218	24,296	-	(56,922)
Vocational education	172,935	-	3,248	(169,687)
Extracurricular programs	58,497	-	-	(58,497)
School lunch services	97,856	23,920	13,568	(60,368)
Unallocated depreciation	46,876	-	-	(46,876)
Total governmental activities	\$ 2,294,843	\$ 48,216	\$ 114,052	(2,132,575)
General revenues:				
Property taxes				157,992
Unrestricted Federal/State shared revenues				81,296
Unrestricted grants and contributions				637,673
Oil and gas tax revenues				1,481,440
Unrestricted investment earnings				9,699
Miscellaneous				15,225
Total general revenues and transfers				2,383,325
Change in Net Position				250,750
Total Net Position - July 1, 2013				6,285,333
Total Net Position - June 30, 2014				\$ 6,536,083

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

PLEVNA PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2014

Description	Major Fund					Total Governmental Funds
	General	Miscellaneous	Building Reserve	Other Governmental Funds	Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 1,389,898	\$ 1,742,280	\$ 1,037,438	\$ 1,081,436	\$	5,251,052
Tax/assessment receivable	395	-	-	-	-	395
Inventories	34,016	-	-	-	-	34,016
Total Assets	1,424,309	1,742,280	1,037,438	1,081,436		5,285,463
DEFERRED INFLOWS OF RESOURCES-						
Unavailable revenue-property taxes	395	-	-	-	-	395
FUND BALANCES						
Nonspendable	34,016	-	-	-	-	34,016
Restricted	-	-	-	1,053,196	-	1,053,196
Assigned	1,110,882	1,742,280	1,037,438	28,240	-	3,918,840
Unassigned	279,016	-	-	-	-	279,016
Total fund balances	1,423,914	1,742,280	1,037,438	1,081,436		5,285,068
Total deferred inflows or resources and fund balances	\$ 1,424,309	\$ 1,742,280	\$ 1,037,438	\$ 1,081,436		

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 Funds
\$ 6,536,083

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

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

Description	Major Fund			Other Governmental Funds	Total Governmental Funds
	General	Miscellaneous	Building Reserve		
REVENUES					
Property taxes	\$ 158,075	\$ -	\$ -	\$ -	\$ 158,075
Earnings on investments	1,655	4,510	1,382	2,152	9,699
School lunch sales	-	-	-	23,920	23,920
Other local sources	1,702	16,743	-	195,005	213,450
State aid	1,450,682	1,891	375,000	275,753	2,103,326
Federal aid	-	23,638	-	13,568	37,206
Total Revenues	1,612,114	46,782	376,382	510,398	2,545,676
EXPENDITURES					
Current:					
Instructional services	798,443	5	-	128,540	926,988
Supporting services					
Students	20,942	-	-	2,848	23,790
Improvement of instructional services	4,645	13,105	-	18,034	35,784
District administration	62,164	-	-	47,733	109,897
School administration	76,237	-	-	8,670	84,907
Business services	35,916	-	-	17,059	52,975
Operation & Maintenance of facilities	127,552	40,000	234,738	39,459	441,749
Transportation	7,343	-	-	127,968	135,311
Special education	49,823	24,296	-	7,099	81,218
Vocational programs	151,863	-	-	16,013	167,876
Extracurricular programs	53,075	5,059	-	5,422	63,556
Food services	54,992	-	-	42,864	97,856
Capital outlay	-	-	-	-	-
Total Expenditures	1,442,895	82,465	234,738	461,709	2,221,907
Excess of revenues over (under) expenditures	169,119	(35,683)	141,644	48,689	323,769
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	20,000	20,000
Transfers out	(20,000)	-	-	-	(20,000)
Total other financing sources (uses)	(20,000)	-	-	20,000	-
Net change in fund balances	149,119	(35,683)	141,644	68,689	323,769
Fund balances - July 1, 2013-as previously reported	1,272,244	1,777,963	895,794	1,012,747	4,958,748
Prior period reclassification	-	-	-	-	-
Fund balances - July 1, 2013-as reclassified	1,272,244	1,777,963	895,794	1,012,747	4,958,748
Change in inventory	2,551	-	-	-	2,551
Fund balances - June 30, 2014	\$ 1,423,914	\$ 1,742,280	\$ 1,037,438	\$ 1,081,436	\$ 5,285,068

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

PLEVNA 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)	\$ 323,769
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	26,836
Depreciation expense	<u>(99,191)</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>(83)</u>
Adjust for Change in Inventory	<u>2,551</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>(3,132)</u>
Change in Net Position in Governmental Activities	<u>\$ 250,750</u>

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

PLEVNA PUBLIC SCHOOLS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

Description	Trust Fund	Agency Funds
	Private Purpose Trust Funds	Agency Composite
ASSETS		
Cash and cash equivalents	\$ 69,253	\$ 121,992
Total Assets	69,253	121,992
LIABILITIES		
Warrants payable	-	121,992
Total Liabilities	-	\$ 121,992
NET POSITION		
Held in trust for student activities	38,704	
Held in trust for student scholarships	30,549	
	\$ 69,253	

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

PLEVNA 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:	
Investment earnings	\$ 79
Contributions	370
Student activities	54,767
	55,216
Total Additions	55,216
 DEDUCTIONS:	
Scholarships	1,250
Student activities	58,006
	59,256
Total Deductions	59,256
Change in net position	(4,040)
Total net position - July 1, 2013	73,293
Total net position - June 30, 2014	\$ 69,253

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

SCHOOL DISTRICT NO. 55
FALLON COUNTY
PLEVNA, MONTANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of Plevna Public Schools, School District No. 55 (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 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 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.

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

Basis of Presentation and Basis of Accounting

Government-wide Statements - The Statement 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

1. **Summary of Significant Accounting Policies – cont.**
Government-wide Statements – cont.

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 endowment funds). The emphasis of fund financial statements is on major governmental funds. 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, revenue is 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 revenues 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.

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 government 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.

Miscellaneous Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state, or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

1. **Summary of Significant Accounting Policies - cont.**
Fund Financial Statements – cont.

Building Reserve Fund - The purpose of financing voter approved building or construction projects funded with district mill levies. The Building Reserve Fund is a budgeted fund.

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 and a scholarship fund, which accounts for funds donated for college scholarships for its graduating seniors.

Cash and Cash Equivalents

Except for the Extracurricular Fund (a Private Purpose Trust Fund), all cash and investments are held by the County Treasurer. All funds deposited are pooled and invested in accordance with state law. Interest earnings are allocated to the District based on average month end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the District to determine the investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County's pooled investments. Information as to the County's investment pool can be obtained from the County's annual financial report. The extracurricular funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

Statement No. 31 of the Government Accounting Standards Board requires that investments be stated at fair value.

Warrants Payable

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Warrants issued by the District, but not yet paid by the County Treasurer, amounted to \$121,992.

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

Buildings and improvements	80 years
Equipment	8-20 years

1. Summary of Significant Accounting Policies - cont.

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 carried at cost. The school received commodities that are not reported as a revenue or expense.

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 provision, 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.

Assigned and committed funds are at the discretion of the Board of Trustees.

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

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Miscellaneous</u>	<u>Building Reserve</u>		
Nonspendable:					
Inventories	\$ 34,016	\$ -	\$ -	\$ -	\$ 34,016
Restricted:					
Technology	-	-	-	459,488	459,488
Transportation	-	-	-	138,946	138,946
Bus Depreciation	-	-	-	370,251	370,251
Food Service	-	-	-	3,187	3,187
Retirement	-	-	-	2,530	2,530
Adult Education	-	-	-	43,588	43,588
Traffic Education	-	-	-	17,526	17,526
Compensated Absences	-	-	-	8,996	8,996
Lease Rental	-	-	-	8,684	8,684
Assigned:					
School Operations	1,110,882	1,742,280	-	-	2,853,162
Capital Projects	-	-	1,037,438	28,240	1,065,678
Unassigned	279,016	-	-	-	279,016
Total Fund Balance	\$ 1,423,914	\$ 1,742,280	\$ 1,037,438	\$ 1,081,436	\$ 5,285,068

Reported with the General Fund fund balance is \$1,110,882 from the Flexibility Fund.

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.

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

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.

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.

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.

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:

Compensated absences	\$ (71,579)
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (71,579)</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 that reconciliation explains that "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."

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

The details of this difference are as follows:

Capital outlay	\$	26,836
Depreciation expense		<u>(99,191)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(72,355)</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:

Compenstated absences	\$	<u>(3,132)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(3,132)</u>

3. **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.

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.

The District is permitted by State statutes to levy taxes for various purposes. The taxes were not levied by the District for the year ended June 30, 2014.

4. **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 \$38,704. The bank balance was fully covered by Federal Depository Insurance.

4. Cash and Investments – cont.

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 Fallon 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; therefore, the District has separate FDIC coverage from the other funds under the control of the Fallon County Treasurer. The Fallon 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.

All of the District deposits with financial institutions that are in excess of the Federal Depository Insurance limits are held by the investment counterparty, not in the name of the District.

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.

5. General Long-term Debt

The following is a summary of long-term debt for the year ended June 30, 2014.

Compensated absences payable represents vacation and sick leave earned by employees, which is payable upon termination, was as follows:

	Balance <u>July 1, 2013</u>	<u>Earned</u>	<u>Used</u>	Balance <u>June 30, 2014</u>
Compensated Absences Payable	\$ <u>68,447</u>	\$ <u>3,132</u>	\$ <u>-</u>	\$ <u>71,579</u>

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

5. **General Long-term Debt – cont.**

Non-certified employees accrue 12 days of sick leave each year, without limit, and may elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash.

Non-certified 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.

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 leave benefits equivalent to State laws 2-18-617 and 2-18-618.

Teachers receive 10 sick leave days each year and may accumulate up to 85 days. Upon termination, teachers may elect to receive cash for 1/2 the accumulated sick leave at a rate equivalent to the substitute teacher's pay.

6. **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.

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. 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	\$ 92,401	\$ -	\$ -	\$ 92,401
Total capital assets, not being depreciated	92,401	-	-	92,401
Capital assets, being depreciated:				
Buildings and improvements	1,561,884	18,857	-	1,580,741
Furniture and equipment	<u>1,194,573</u>	<u>-</u>	<u>63,835</u>	<u>1,130,738</u>
Total capital assets, being depreciated	2,756,457	18,857	63,835	2,711,479
Accumulated depreciation for:				
Buildings and improvements	(711,137)	(34,195)	-	(745,332)
Furniture and equipment	<u>(743,167)</u>	<u>(64,996)</u>	<u>71,814</u>	<u>(736,349)</u>
Total accumulated depreciation	<u>(1,454,304)</u>	<u>(99,191)</u>	<u>71,814</u>	<u>(1,481,681)</u>
Total capital assets, being depreciated, net	<u>1,302,153</u>			<u>1,229,798</u>
Governmental activities capital assets, net	<u>\$ 1,394,554</u>			<u>\$ 1,322,199</u>

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

Governmental activities:	
Supporting services:	
Transportation services	\$ 41,305
Operations and maintenance	3,031
Unallocated	<u>54,855</u>
Total depreciation expense, governmental activities	<u>\$ 99,191</u>

9. Statewide Retirement

The District participates in two statewide cost-sharing multiple-employer defined benefit retirement plans that cover all employees, except certain substitute teachers and part time nonteaching 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	Public Employees Retirement System
PO Box 200139	PO Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena MT 59620-0139	Helena MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154

The financial statements for PERS include 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.

9. Statewide Retirement – cont.

Contribution rates for both plans are required and determined by state law. The contribution rates, expressed as a percentage of covered payrolls, are 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 7/1/12	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 .249% 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 payroll for each plan is as follows:

	<u>PERS</u>	<u>TRS</u>
Covered Payroll	\$ 234,437	\$ 842,152
Employee Contributions	18,521	68,584
Employer Contributions	18,286	73,384

The District's contributions for the years ended June 30, 2012 and 2013 were \$13,137 and \$13,732 for PERS and \$56,698 and \$58,139 for TRS, respectively.

10. Property Taxes Receivable

As discussed in Note 1, the District records property tax not collected and offsets this amount in deferred revenue 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.

11. Joint Ventures

A joint venture is a legal entity or other contractual agreement created by two or more governments for a special purpose.

Special Education Cooperative

School District Number 55 is a member of the Big Country Cooperative. The Cooperative is comprised of 21 member districts, each of which contributes to the operating costs of the Cooperative based on the annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services.

The Cooperative is administered by a Board comprised of one member from each participating district. The Cooperative does have an annual audit of which a copy of the report is obtained by the School District.

12. Contingent Liability

In November of 2001, the District was granted a 10 year freeze on their water rates from the Town of Plevna. In exchange for the freeze, the District agreed to pay on demand \$25,000 for improvements of water to the Town of Plevna.

As of June 30, 2014, \$9,412 had been paid to the Town of Plevna for water improvements. \$0 was paid during the current year. The District has a potential future liability of \$15,588.

13. Subsequent Events

The District has evaluated subsequent events through the date of this report, the date which the financial statements were available to be issued.

14. Transfers

The District transferred \$20,000 from the Flexibility Fund to the Lease Rental Fund for general operations.

SCHOOL DISTRICT NO. 55
FALLON COUNTY
PLEVNA, MONTANA

REQUIRED SUPPLEMENTAL INFORMATION

Fiscal Year Ended June 30, 2014

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 157,601	\$ 157,601	\$ 158,075	\$ 474
Earnings on investments	225	225	174	(51)
Other local sources	629	629	1,702	1,073
State aid	576,353	576,353	576,373	20
Oil and gas tax	339,005	339,005	338,985	(20)
Federal aid	-	-	-	-
Total revenues	<u>1,073,813</u>	<u>1,073,813</u>	<u>1,075,309</u>	<u>1,496</u>
Expenditures:				
Current:				
Instructional services	688,189	688,189	531,325	156,864
Supporting services:				
Students	20,442	20,442	20,110	332
Improvement of instruction services	294	294	292	2
District administration	37,056	37,056	36,989	67
School administration	75,960	75,960	75,678	282
Business	33,108	33,108	33,103	5
Operation and maintenance of facilities	102,423	102,423	102,051	372
Transportation	-	-	-	-
Special Education	33,110	33,110	48,869	(15,759)
Vocational Programs	133,570	133,570	130,856	2,714
Extracurricular Programs	46,292	46,292	42,361	3,931
Food Services	60,293	60,293	54,742	5,551
Total expenditures	<u>1,230,737</u>	<u>1,230,737</u>	<u>1,076,376</u>	<u>154,361</u>
Excess of revenues over (under) expenditures	<u>(156,924)</u>	<u>(156,924)</u>	<u>(1,067)</u>	<u>155,857</u>
Net change in fund balances	<u>\$ (156,924)</u>	<u>\$ (156,924)</u>	<u>(1,067)</u>	<u>\$ 155,857</u>
Fund balance - beginning - Budget basis			<u>311,548</u>	
Fund balance - ending - Budget basis			<u>310,481</u>	
Change in inventory			<u>2,551</u>	
Fund balance - ending GAAP basis			<u>\$ 313,032</u>	

PLEVNA PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY 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 Budget to Actual Statements include only expenses that are attributed to the budget, the operating statement includes all expenditures for the year including encumbrances from the prior year.

The District made the following budget amendments:

	<u>Original</u>	<u>Change</u>	<u>Final</u>
Retirement Fund	\$ 180,634	\$ 34,261	\$ 214,895

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).

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – cont.
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, there were encumbrances of \$0.

Reporting

The Statement of Revenues, Expenditures, and Changes in Fund Balances, on page 8, combines the General and Flexibility Funds.

	General	Flexibility	Total
Fund balance, beginning	\$ 311,548	\$ 960,696	\$ 1,272,244
Revenues	1,075,309	536,805	1,612,114
Expenditures	1,076,376	386,619	1,462,995
Change in inventory	2,551	-	2,551
Fund balance, ending	<u>\$ 313,032</u>	<u>\$ 1,110,882</u>	<u>\$ 1,423,914</u>

SCHOOL DISTRICT NO. 55
FALLON COUNTY
PLEVNA, MONTANA

SUPPLEMENTAL SCHEDULES

Fiscal Year Ended June 30, 2014

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	3,545	3,545	3,507	(38)
Other local sources	184,600	184,600	185,055	455
State aid	47,802	47,802	43,083	(4,719)
Oil and gas tax	-	-	767,456	767,456
Total revenues	<u>235,947</u>	<u>235,947</u>	<u>999,101</u>	<u>763,154</u>
Expenditures:				
Current:				
Instructional services	913,575	947,836	395,074	552,762
Supporting services				
Students	3,682	3,682	3,680	2
Improvement of instructional services	79,061	79,061	22,387	56,674
District administration	426,675	426,675	72,908	353,767
School administration	9,273	9,273	9,229	44
Business services	20,212	20,212	19,872	340
Operation and maintenance of facilities	41,500	41,500	41,303	197
Transportation	431,213	431,213	135,311	295,902
Special education	8,000	8,000	8,053	(53)
Adult education	43,469	43,469	-	43,469
Vocational programs	42,325	42,325	37,020	5,305
Extracurricular programs	15,121	15,121	16,136	(1,015)
Food services	5,999	5,999	5,997	2
Total expenditures	<u>2,040,105</u>	<u>2,074,366</u>	<u>766,970</u>	<u>1,307,396</u>
Excess of revenues over (under) expenditures	<u>(1,804,158)</u>	<u>(1,838,419)</u>	<u>232,131</u>	<u>2,070,550</u>
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Net change in fund balances	<u>\$ (1,804,158)</u>	<u>\$ (1,838,419)</u>	212,131	<u>\$ 2,050,550</u>
Fund balances - beginning - Budget and GAAP basis			1,913,554	
Fund balances - ending - Budget and GAAP basis			<u>\$ 2,125,685</u>	

PLEVNA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Building Reserve Fund
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 tax	\$ -	\$ -	\$ -	\$ -
Earnings on investments	1,000	1,000	1,382	382
Oil and gas tax	-	-	375,000	375,000
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>376,382</u>	<u>375,382</u>
Expenditures:				
Instructional services	-	-	-	-
Maintenance and custodial	895,795	895,795	234,738	661,057
Food services	-	-	-	-
Total expenditures	<u>895,795</u>	<u>895,795</u>	<u>234,738</u>	<u>661,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(894,795)</u>	<u>(894,795)</u>	<u>141,644</u>	<u>1,036,439</u>
Net change in fund balances	<u>\$ (894,795)</u>	<u>\$ (894,795)</u>	141,644	<u>\$ 1,036,439</u>
Fund balances - beginning - Budget and GAAP basis			895,794	
Fund balances - ending - Budget and GAAP basis			<u>\$ 1,037,438</u>	

PLEVNA PUBLIC SCHOOLS
Schedule of Student Enrollment
Year Ended June 30, 2014

FALL ENROLLMENT 10\13	Audit Per District Records	Enrollment Report
<u>Elementary Schools</u>		
Kindergarten	9	9
Plevna		
Grades One - Six	46	46
7-8:		
Grades Seven - Eight	16	16
<u>High School</u>		
9-12:		
Grades Nine - Twelve	13	13
Total	<u>84</u>	<u>84</u>
 WINTER ENROLLMENT 12\13		
<u>Elementary Schools</u>		
Kindergarten	9	9
Plevna		
Grades One - Six	46	46
7-8:		
Grades Seven - Eight	15	15
<u>High School</u>		
9-12:		
Grades Nine - Twelve	13	13
Total	<u>83</u>	<u>83</u>
 SPRING ENROLLMENT 2\14		
<u>Elementary Schools</u>		
Kindergarten	8	8
Plevna		
Grades One - Six	45	45
7-8:		
Grades Seven - Eight	15	15
<u>High School</u>		
9-12:		
Grades Nine - Twelve	13	13
Total	<u>81</u>	<u>81</u>

SCHOOL DISTRICT NO. 55
FALLON, COUNTY
PLEVNA, MONTANA

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

	MILL LEVY	
General Fund		17.12

DISTRICT TAXABLE VALUATION

District		\$ 9,203,813
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PLEVNA PUBLIC SCHOOLS
Statement of Changes
Student Activities Fund
Year Ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
BPA	\$ 4,743	\$ 3,263	\$ 4,068	\$ -	\$ 3,938
Student Council	2,780	3,362	3,662	(177)	2,303
Athletics	9,282	5,665	9,158	(100)	5,689
Annual	6,866	2,383	3,479	1,297	7,067
Music	254	2,002	1,273	-	983
FCCLA	1,423	501	2,043	1,195	1,076
FFA	6,936	25,909	25,306	308	7,847
Pop Fund	340	2,987	2,130	(295)	902
Pep Club	1,363	290	198	35	1,490
Equipment	2,477	15	261	333	2,564
Concessions	-	4,602	3,011	(1,591)	-
National Honor Society	177	502	664	-	15
Donations	200	2,368	1,597	-	971
Class of 2012	1	-	-	(1)	-
Class of 2013	735	-	120	(615)	-
Class of 2014	1,280	274	222	(1,332)	-
Class of 2016	2,069	636	212	-	2,493
Class of 2018	6	2	-	943	951
FFA Scholarship	1,011	4	600	-	415
	<u>\$ 41,943</u>	<u>\$ 54,765</u>	<u>\$ 58,004</u>	<u>\$ -</u>	<u>\$ 38,704</u>



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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
Plevna Public Schools
Plevna, Montana 59259

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 School District No. 55, Plevna, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 55, Plevna, Montana's basic financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District No. 55, Plevna, 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 School District No. 55, Plevna, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 55, Plevna, 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 School District No. 55, Plevna, 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
September 22, 2014