

**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
DAWSON COUNTY
RICHEY, MONTANA**

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BAKER, MONTANA**

**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
RICHEY, MONTANA
JUNE 30, 2014**

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**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
RICHEY, MONTANA
JUNE 30, 2014**

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**RICHEY SCHOOL DISTRICTS 78J & #2
DAWSON COUNTY
RICHEY, MT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2014

The Governmental Accounting Standards Board issued an accounting standards statement in June 1999 that completely revised the financial information and the form of the financial statements that local governments are required to present under generally accepted accounting principles. The Districts' management's discussion & analysis is provided 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.

Richey Public Schools consists of Richey Elementary District 78J and Richey High School #2. These two districts operate separately from one another in regards to budgets, funds, assets, and liabilities.

FINANCIAL HIGHLIGHTS

Richey High School District #2 assets and Richey Elementary District 78J additions to assets were as follows:

The Elementary had new entry doors installed for \$12,900.

The High School District had a new roof installed for \$47,025 and the basketball brackets, in the new gym, were repaired for \$11,000.

Both districts had to make a reserve payment to TRS for a total of \$29,818.

A smaller bus was purchased for \$47,499 and an MCI bus was purchased for \$17,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts-managements 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 two Districts.

The first two statements are Government-wide financial statements that provide both short-term and long-term information about the two Districts' overall financial status. The other statements are fund financial statements that focus on individual parts of the Districts, reporting the Districts' operations in more detail than 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 two District's assets and liabilities, all of the two District's revenue 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 two 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). The present detailed information about the two District's general fund and 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 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 that 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 Districts are better or worse off as a result of the year's activities. The change in net position (difference between total assets and total liabilities) over time is one indicator of whether the Districts' financial health is improving or deteriorating. However, you need to consider other non-financial factors in making an assessment of the Districts' health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the Districts' tax bases, etc. to assess the overall health of the Districts.

FINANCIAL ANALYSIS OF THE DISTRICTS' FUNDS

The fund financial statements provided detail information about the most significant of the Districts' funds; the Districts are required to provide detailed information of its "major" funds.

The governmental funds provide a short-term view of the Districts' 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 District had other financing sources through the Montana Oil and Gas tax.

	High School	Elementary
2012-13	\$223,920	\$280,942
2013-14	\$659,600	\$563,262

Oil revenue is received in the following funds in both the High School and Elementary Districts: general and flexibility. Oil production has increased in the High School District, which is evident by the increased revenue.

**Richey Public School
Comparative Statement of Net Position
June 30, 2013 and 2014**

	2013	2014	Change
Cash and Cash Equivalents	\$743,718	\$ 975,720	\$232,002
Other Assets	\$6,981	\$9,550	\$2,569
Capital Assets	\$2,019,317	\$2,175,242	\$155,925
Total Assets	\$2,770,016	\$3,160,512	\$390,496
Short Term Liabilities	\$73,000	\$87,250	\$14,250
Long Term Liabilities	\$793,657	\$716,863	-\$76,794
Total Liabilities	\$866,657	\$804,113	-\$62,544
Investment in Capital Assets	\$1,174,800	\$1,410,692	\$235,892
Unrestricted	\$376,583	\$767,960	\$391,377
Restricted	\$351,976	\$177,747	-\$174,229
Net Position	\$1,903,359	\$2,356,399	\$453,040

**Richey Public School
Comparative Statement of Activities
June 30, 2013 and 2014**

Revenues	2013	2014	CHANGE
Property Taxes	\$305,069	\$291,846	-\$13,223
State, Federal, and Other Grants	\$1,279,035	\$2,089,371	\$810,336
Charge for Services	\$39,775	\$41,584	\$1,809
Investment Income	\$2,658	\$1,398	-\$1,260
Other	\$38,465	\$21,620	-\$16,845
Transfers	\$-60,000	\$-40,000	-\$20,000
Total Revenue	\$1,605,002	\$2,405,819	\$800,817
Instructional Services	\$514,161	\$680,578	\$166,417
District Administration	\$228,886	\$234,080	\$5,194
Operations and Maintenance	\$202,058	\$196,364	-\$5,694
Transportation	\$98,289	\$91,957	-\$6,332
Special, Adult, and Vocational Education	\$203,933	\$257,936	\$54,003
Extra Curricular Programs	\$109,570	\$125,957	\$16,387
School Lunch	\$75,330	\$87,785	\$12,455
Capital Outlay	\$66,739	\$202,868	\$136,129
Interest on Debt	\$0	\$7,511	\$7,511
Depreciation	\$60,895	\$67,743	\$6,848
Total Expenses	\$1,559,862	\$1,952,779	\$392,917
Change in Net Position	\$45,140	\$453,040	\$407,900

CAPITAL ASSETS AND DEBT ADMINISTRATION

The High School District had one major project in the 2013-14 school year. A new roof was put on the high school. This project cost the High School District #2 \$47,025. The Elementary still has the loan that was acquired from the Board of Investments for \$850,000. The District has 10 years to pay the loan off. Loan payments are due twice a year, August and February. As of now, the district has made 6 payments and the balance due is \$685,077.

District 78J compensated absences debt is \$15,912 and for District #2 it is \$15,912.

BUDGETARY HIGHLIGHTS

SB 175 was the major funding bill that had positive effect on our District. Oil and Gas revenue allocations can now be deposited into any fund(s) and there are no limits mandating where these revenues are deposited. This year was the first year for Concentric Circles, which had a huge positive impact on Richey School.

In the classrooms we continue to increase technology usage by purchasing modern computers, updating computer labs, portable wireless computer labs, and laptop computers for all staff members and high school students, SMART Boards, projectors, computerized curriculum, and software to more fully integrate technology into both Districts. New desktops were purchased for the high school lab and new laptops were purchased for the teachers. The cost of these upgrades was \$16,102.

Based on No Child Left Behind, our school is meeting Adequate Yearly Progress. This is significant in the fact that we are able to offer a quality education to our students. Students rank very high compared to other schools in the area.

FACTORS BEARING ON THE DISTRICTS FUTURE

The biggest factor affecting the two Districts' future is student enrollment. Enrollment has been very unpredictable and makes planning for the future difficult. Two other factors having a bearing on the future of the district is whether or not there is a continuation of oil and gas revenue and the continued difficulty of recruiting and retaining highly qualified teachers to meet the demands of No Child Let Behind, the implementation of the Common Core Standards and Chapter 55 changes will have financial impacts on all school districts. The passage of Senate Bill 175 has implemented significant changes in budgeting processes for oil and gas revenue. The elementary district has incurred a \$850,000 loan from the Montana Board of Investments to repair the elementary building and the district is relying on continued oil revenue for repayment of the loan.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact the Superintendent, Maureen Simonson or the Business Manager/Clerk, Jodi Williams at Richey Public School, PO Box 60, Richey, MT 59259 or 406-773-5523.

**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
RICHEY, MONTANA**

ORGANIZATION
JUNE 30, 2014

BOARD OF TRUSTEES

Marlin Johnston	Chairman
Ken Olson	Vice-Chairman
Vacant	Trustee
Vacant	Trustee
Jana Olson	Trustee
Jodi Williams	Clerk of Board

OFFICIALS

Maureen Simonson	District Superintendent
Debra Gibson	Fund Custodian
Steve Engebretson	County Superintendent of Schools
Olivia Rieger	County Attorney



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James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
School Districts No. 78J and No. 2
Richey, Montana 59259

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 Districts No. 78J and No. 2, Richey, 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 Districts No. 78J and No. 2, Richey, 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 Districts No. 78J and No. 2, Richey, Montana's basic financial statements. The other supplemental information on pages 28 – 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information on pages 28 – 32 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, other supplemental information on pages 28 – 32 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 15, 2014, on our consideration of School Districts No. 78J and No. 2, Richey, 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 Districts No. 78J and No. 2, Richey, Montana's internal control over financial reporting and compliance.

Baker, Montana
September 15, 2014

James J. Wosepka, PC
By  CFA

**RICHEY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 975,720
Taxes/assessments receivable	1,130
Due from other governments	681
Capital assets not being depreciated	
Land	7,739
Capital assets being depreciated (net of accumulated depreciation)	<u>2,175,242</u>
Total Assets	<u><u>3,160,512</u></u>
LIABILITIES	
Noncurrent liabilities:	
Due within one year	87,250
Due in more than one year	<u>716,863</u>
Total Liabilities	<u><u>804,113</u></u>
NET POSITION	
Net Investment in Capital Assets	1,410,692
Unrestricted	767,960
Restricted for:	
Transportation	11,977
Technology	12,312
Food Service	768
Other Educational Purposes	<u>152,690</u>
Total Net Position	<u><u>\$ 2,356,399</u></u>

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

**RICHEY 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	
Instructional services	\$ 663,626	\$ 159	\$ 50,949	\$ (612,518)
Supporting services:				
Instructional staff	16,952	-	-	(16,952)
District administration	169,373	-	1,500	(167,873)
School administration	1,748	-	-	(1,748)
Business services	62,959	-	-	(62,959)
Operation & maintenance of facility	196,364	-	-	(196,364)
Transportation	91,957	-	43,579	(48,378)
Special education	155,382	-	-	(155,382)
Adult education	3,216	-	-	(3,216)
Vocational education	99,338	-	7,708	(91,630)
Extracurricular programs	125,957	31,572	-	(94,385)
School lunch services	87,785	9,853	13,076	(64,856)
Capital outlay	202,868	-	-	(202,868)
Interest on debt	7,511	-	-	(7,511)
Unallocated depreciation	67,743	-	-	(67,743)
Total governmental activities	\$ 1,952,779	\$ 41,584	\$ 116,812	(1,794,383)
General revenues:				
Property taxes				291,846
Unrestricted Federal/State shared revenues				1,455,623
Unrestricted grants and contributions				516,936
Unrestricted investment earnings				1,398
Miscellaneous				21,620
Transfers				(40,000)
Total general revenues and transfers				2,247,423
Change in net position				453,040
Total net position - July 1, 2013				1,903,359
Total net position - June 30, 2014				\$ 2,356,399

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

**RICHEY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Description	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 697,653	\$ 278,067	\$ 975,720
Tax/assessment receivable	669	461	1,130
Due from other governments	-	681	681
Total Assets	698,322	279,209	977,531
DEFERRED INFLOWS OF RESOURCES-			
Unavailable revenue-property taxes	669	461	1,130
FUND BALANCES			
Nonspendable	-	-	-
Spendable:			
Restricted	-	177,286	177,286
Assigned	636,508	101,462	737,970
Unassigned	61,145	-	61,145
Total Fund Balances	697,653	278,748	976,401
Total Deferred Inflows of Resources and Fund Balances	\$ 698,322	\$ 279,209	

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.	<u>2,182,981</u>
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.	<u>1,130</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(804,113)</u>
Total Net Position of the Governmental Funds	\$ 2,356,399

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

RICHEY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

Description	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 179,749	\$ 113,148	\$ 292,897
Earnings on investments	571	827	1,398
School lunch sales	-	9,853	9,853
Other local sources	2,171	233,618	235,789
State aid	1,811,349	34,415	1,845,764
Federal aid	-	61,169	61,169
Total Revenues	1,993,840	453,030	2,446,870
EXPENDITURES			
Current:			
Instructional services	407,239	261,411	668,650
Supporting services			
Instructional staff	14,961	1,991	16,952
District administration	114,341	55,032	169,373
School administration	1,500	248	1,748
Business	48,567	14,392	62,959
Operation & maintenance of facilities	188,241	22,728	210,969
Transportation	23,860	68,097	91,957
Special education	154,709	673	155,382
Adult education	-	3,216	3,216
Vocational programs	76,162	23,176	99,338
Extracurricular programs	53,636	80,821	134,457
Food services	49,618	34,177	83,795
Capital outlay	327,589	68,873	396,462
Debt service			
Principal	72,228	-	72,228
Interest	7,511	-	7,511
Total Expenditures	1,540,162	634,835	2,174,997
Excess of revenues (under) expenditures	453,678	(181,805)	271,873
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(40,000)	(40,000)
Total other financing sources (uses)	-	(40,000)	(40,000)
Net change in fund balances	453,678	(221,805)	231,873
Fund balances - July 1, 2013 - as previously reported	319,323	429,195	748,518
Prior period reclassification	(75,348)	75,348	-
Fund balances - July 1, 2013 - as reclassified	243,975	504,543	748,518
Change in inventory	-	(3,990)	(3,990)
Fund balances - June 30, 2014	\$ 697,653	\$ 278,748	\$ 976,401

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

**RICHEY 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>\$ 231,873</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	<u>231,407</u>
Depreciation expense	<u>(67,743)</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>(1,051)</u>
Adjust for Change in Inventory	<u>(3,990)</u>
Repayment of debt principal is and expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
Long-term loan principal payments	<u>72,228</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>(9,684)</u>
Change in Net Position in Governmental Activities	<u><u>\$ 453,040</u></u>

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

RICHEY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

Description	Private Purpose Trust Funds	<u>Agency Funds</u> Agency Composite
ASSETS		
Cash and cash equivalents	\$ 235,425	\$ 25,442
Total Assets	<u>235,425</u>	<u>25,442</u>
LIABILITIES		
Warrants payable	-	25,442
Total Liabilities	<u>-</u>	<u>\$ 25,442</u>
NET POSITION		
Held in trust for student activities	112,724	
Held in trust for student scholarships	20,693	
Held in trust for health insurance	102,008	
Total Net Position	<u>\$ 235,425</u>	

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

RICHEY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

Description	Private Purpose Trust Funds
ADDITIONS:	
Student activities revenue	\$ 110,296
Investment earnings	1,828
Contributions	2,200
Transfers in	40,000
	154,324
Total Additions	154,324
 DEDUCTIONS:	
Student activities	105,077
Student scholarships	2,000
	107,077
Total Deductions	107,077
 Change in net position	 47,247
Net position - July 1, 2013	188,178
Net position - June 30, 2014	\$ 235,425

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

**RICHEY SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
DAWSON COUNTY
RICHEY, MONTANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Principles

The financial statements of the Richey Public Schools, Richey School Districts No. 78J and No. 2, (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 Districts are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the Districts' activities. The District is considered to be an independent reporting entity and has no component units.

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 two 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.

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

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

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 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:

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

General Fund – The General Fund is authorized by Section 20-9-143, MCA, for the purpose of financing general maintenance and operational costs of the district not financed by other funds. The General Fund is a budgeted fund.

The District also 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 two scholarship funds which account for funds donated for college scholarships for its graduating seniors.

The District has a fourth trust fund which is an inter-local agreement fund. These funds are held for the District and can be used for health insurance.

Cash and Investments

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the laws of the State of Montana (the "State"). State statutes require that the District's funds be deposited in banks located in the State and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized in accordance with State statutes.

The District's cash consists of cash on hand and demand deposits maintained at financial institutions. Certificates of deposit held by the District generally mature within one year of the date of purchase. State statutes generally permit the District to invest in general obligation bonds of the United States; in bonds, notes, debentures, or other obligations issued by an agency of the United States Government, in general obligation bonds of the State, or in bank certificates of deposit. The District does not have a formal investment policy that places any further restrictions on the nature or types of investments that may be purchased.

At June 30, 2014, all unrestricted cash and certificates of deposit were either insured or collateralized.

Warrants Payable

The District makes expenditures by means of warrants.

Warrants issued by the District, but not yet paid were in the amount of \$25,442.

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

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	15 - 30 years
Equipment	3 - 15 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 for the governmental funds statements. The inventory is stated at cost in the government wide statements.

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 net position is available.

Fund Balance Reserves and Designations

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

1. Summary of Significant Accounting Policies - cont.
Fund Balance Reserves and Designations – cont.

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 Board of Trustees.
- 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.

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted:			
Technology	-	12,169	12,169
Transportation	-	11,790	11,790
Bus Depreciation	-	82,001	82,001
Food Service	-	768	768
Retirement	-	44,806	44,806
Adult Education	-	7,932	7,932
Traffic Education	-	1,880	1,880
Compensated Absences	-	3,807	3,807
Lease Rental	-	12,133	12,133
Assigned:			
School Operations	636,508	100,451	736,959
Capital Projects	-	1,011	1,011
Unassigned	61,145	-	61,145
Total Fund Balance	<u>\$ 697,653</u>	<u>\$ 278,748</u>	<u>\$ 976,401</u>

Reported with the General Fund assigned fund balance is \$176,175 from the Elementary Flexibility and \$460,333 from the High School Flexibility funds. July 1, 2013 General Fund balance has also been restated to reflect this change.

1. **Summary of Significant Accounting Policies - cont.**
Fund Balance Reserves and Designations – cont.

The prior period entry for General Fund fund balance of \$75,348, was for \$78,533 for Elementary Miscellaneous Fund which is no longer a major fund to be combined with the General Fund, and the addition of \$3,185 for the Elementary Flex Fund, which is a major fund for the current year.

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.

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.

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."

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

The details of this difference are as follows:

Loans payable	\$ (772,289)
Compensated absences	<u>(31,824)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	\$ <u><u>(804,113)</u></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.”

The details of this difference are as follows:

Capital outlay	\$ 231,407
Depreciation expense	<u>(67,743)</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>163,664</u></u>

Another element of that reconciliation states that “the issuance of long-term (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:	
Loan	\$ <u>72,228</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>72,228</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.”

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**
 The details of this difference are as follows:

Compensated absences	\$ <u>(9,684)</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>(9,684)</u></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.

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.

4. **Long-term Debt**

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

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>
Note Payable	\$ 844,517	\$ -	\$ 72,228	\$ 772,289
Compensated Absences Payable	22,140	9,684	-	31,824
Total	\$ <u>866,657</u>	\$ <u>9,684</u>	\$ <u>72,228</u>	\$ <u>804,113</u>

Total interest paid during the current fiscal year was \$7,511.

4. **Long-term Debt – cont.**
Compensated Absences

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

		<u>Total</u>
Compensated Absences 6/30/13	\$	22,140
Increases		9,684
Decreases		-
Compensated Absences 6/30/14	\$	<u>31,824</u>

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

Loan Debt

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Principal Amount</u>	<u>Outstanding June 30, 2014</u>
Elementary Retrofit	7/27/2012	1.00%	10 Years	6/15/2022	\$850,000	\$772,289

Requirements to Amortize Debt

The annual requirements to amortize all long-term debt outstanding, except compensated absences payable, as of June 30, 2014 are as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2015	\$ 87,211	\$ 7,505	\$ 94,716
2016	88,172	6,630	94,802
2017	89,142	5,747	94,889
2018	90,126	4,853	94,979
2019	91,118	3,949	95,067
	<u>445,769</u>	<u>28,684</u>	<u>474,453</u>
2020 - 2022	326,520	6,561	333,081
	<u>\$ 772,289</u>	<u>\$ 35,245</u>	<u>\$ 807,534</u>

5. **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.

6. **Amounts Due From Other Governments**

The amounts due from other governments consist of the following:

Special Revenue Funds	
Due from State - Driver's Education Funding	\$ 681
	<u>\$ 681</u>

7. **Transfers**

The District had the following transfers during the fiscal year:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
EL Bus Depreciation	(20,000)	Operating transfer
EL Interlocal Agreement	40,000	Operating transfer
Bus Depreciation	(20,000)	Operating transfer

8. **Capital Asset**

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,739	\$ -	\$ -	\$ 7,739
Work in Progress	1,138,021	-	1,138,021	-
Total capital assets, not being depreciated	1,145,760	-	1,138,021	7,739
Capital assets, being depreciated:				
Buildings and improvements	1,481,490	1,260,215	-	2,741,705
Land improvements	121,755	-	-	121,755
Furniture and equipment	399,201	109,213	-	508,414
Total capital assets, being depreciated	2,002,446	1,369,428	-	3,371,874
Accumulated depreciation for:				
Buildings and improvements	(904,452)	(25,993)	-	(930,445)
Land improvements	(20,590)	(7,358)	-	(27,948)
Furniture and equipment	(203,847)	(34,392)	-	(238,239)
Total accumulated depreciation	(1,128,889)	\$ (67,743)	\$ -	(1,196,632)
Total capital assets, being depreciated, net	873,557			2,175,242
Governmental activities capital assets, net	\$ 2,019,317			\$ 2,182,981

Depreciation expense of \$67,743 was not charged to any particular function.

9. **Statewide Retirement Plans**

All District employees participate in one of the following cost sharing multiple-employer retirement plans. Both plans also provide death and disability benefits with amounts determined by the State of Montana.

All certified teaching employees, including the principals and the superintendent, participate in the Teachers Retirement System (TRS). Members who retire: 1) at or after age 60 with 5 years of creditable service, or 2) with 25 or more years of creditable service, are entitled to a retirement benefit payable monthly for the life of the member and/or beneficiary. The benefit amount is the number of years of creditable service divided by 60 and multiplied by the average final compensation (AFC).

The AFC is the average of the earned compensation of a member during the three consecutive years of full-time service which yield the highest average. Benefits fully vest after five years of service. Vested employees may retire at age 50, if they have at least 5 years of service, and receive reduced benefits.

9. Statewide Retirement Plans – cont.
Teachers Retirement System (TRS)

All the District's non-teaching employees that work more than the equivalent of 120 working days per fiscal year are required by State law to participate in the Public Employees Retirement System (PERS). Employees who retire: 1) at or after age 60 with 5 years of creditable service, 2) at or after age 65 regardless of years of service, or 3) with 30 or more years of creditable service are entitled to a retirement benefit payable monthly for the life of the member and/or beneficiary. The benefit amount is the number of years of creditable service divided by 56 and multiplied by the final compensation.

The final compensation is a member's highest average annual compensation during any three consecutive years of membership service. Benefits fully vest after 5 years of service. Vested employees may retire at age 50 or with 25 years of service and receive reduced benefits.

Required employee and employer contribution rates for each plan are as follows:

	<u>PERS</u>	<u>Hired after 7/1/11 PERS</u>	<u>TRS</u>
Employee	6.9%	7.9%	8.15%
Employer	6.8%	6.8%	8.47%

The State of Montana makes "on-behalf" payments for PERS employees' monthly compensation of .37% and TRS employees' monthly compensation of 2.49%.

The District's contribution requirement for the fiscal year ended June 30, 2014, including additional contributions from employees, are as follows:

	<u>PERS</u>	<u>TRS</u>
Employer	\$ 13,057	\$ 50,292
Employee	13,225	44,333
Total	<u>\$ 26,282</u>	<u>\$ 94,625</u>

The District's contributions for the years ended June 30, 2012 and 2013 were \$9,419 and \$11,699 for PERS and \$39,974 and \$38,576 for TRS, respectively.

The contribution requirement for both plans was less than 1% of total contribution requirements for all participating employers.

Both plans (TRS and PERS) issue a publicly available financial report which may be obtained from the following:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59920-0139
(406) 444-3134

Public Employees Retirement System
Public Employees Retirement Division
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
(406) 444-3154

10. **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.

11. **Subsequent Events**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 15, 2014, which is the date of these financial statements were available to be issued.

12. **Commitments**

The District entered into three contracts prior to June 30, 2014. One to re-roof the elementary school in the amount of \$51,503, to which \$19,690 has been paid to date. Another is to install a new ventilation system in the shop in the amount of \$18,261 of which all has been paid. Lastly, a contract to replace the sidewalks in front of the school in the amount of \$42,000 of which \$21,000 has been paid.

REQUIRED
SUPPLEMENTAL INFORMATION

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

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 200,322	\$ 200,322	\$ 179,749	\$ (20,573)
Earnings on investments	211	211	154	(57)
Other local sources	1,383	1,383	2,171	788
State aid	738,640	738,640	738,640	-
Federal aid	-	-	-	-
Total revenues	<u>940,556</u>	<u>940,556</u>	<u>920,714</u>	<u>(19,842)</u>
Expenditures:				
Current:				
Instructional services	393,481	393,481	311,319	82,162
Supporting services:				
Students	15,250	15,250	-	15,250
Instructional staff	16,288	16,288	14,961	1,327
District administration	106,890	106,890	112,802	(5,912)
School administration	1,500	1,500	1,500	-
Business services	40,940	40,940	48,567	(7,627)
Operation and maintenance of facilities	158,030	158,030	155,737	2,293
Transportation	-	-	23,860	(23,860)
Special education	-	-	92,289	(92,289)
Vocational programs	78,634	78,634	76,162	2,472
Extracurricular programs	81,424	81,424	53,636	27,788
Food services	46,120	46,120	44,622	1,498
Capital outlay	2,000	2,000	4,858	(2,858)
Total expenditures	<u>940,557</u>	<u>940,557</u>	<u>940,313</u>	<u>244</u>
Excess of revenues over expenditures	<u>(1)</u>	<u>(1)</u>	<u>(19,599)</u>	<u>(19,598)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>(19,599)</u>	<u>\$ (19,598)</u>
Fund balances - beginning - Budget and GAAP basis			<u>80,744</u>	
Fund balances - ending GAAP basis			<u>\$ 61,145</u>	

**RICHEY SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
DAWSON COUNTY
RICHEY, MONTANA**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

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). The valid obligation criteria are:

1. The cost 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 was \$0 of encumbrances.

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 for Fund Financial Statements.

The General Fund budgets are based on the State's Foundation Program which is designed to equalize taxing efforts 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.

Notes to Required Supplemental Information – cont.
Budgets - cont.

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.

Reporting

The Statement of Revenues, Expenditures, and Changes in Fund Balance, on page 8, combines the General, Elementary Flexibility, and High School Flexibility Funds.

	General	Elementary Flexibility	High School Flexibility	Total
Fund balance, beginning	\$ 80,744	\$ 3,185	\$ 160,046	\$ 243,975
Revenues	920,714	463,354	609,772	1,993,840
Expenditures	940,313	290,364	309,485	1,540,162
Fund balance, ending	\$ <u>61,145</u>	\$ <u>176,175</u>	\$ <u>460,333</u>	\$ <u>697,653</u>

SUPPLEMENTAL INFORMATION

**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICTS NO. 78J AND NO. 2
DAWSON COUNTY
RICHEY, MONTANA**

**Schedule of School District Enrollment
Year ended June 30, 2014**

FALL ENROLLMENT 10\13	Audit Per District Records	Enrollment Report
Kindergarten	5	5
Grades One - Six	31	31
Grades Seven - Eight	10	10
Total	46	46
Grades Nine - Twelve	22	22
Total	68	68
WINTER ENROLLMENT 12\13	Audit Per District Records	Enrollment Report
Kindergarten	5	5
Grades One - Six	32	32
Grades Seven - Eight	10	10
Total	47	47
Grades Nine - Twelve	22	22
Total	69	69
SPRING ENROLLMENT 2\14	Audit Per District Records	Enrollment Report
Kindergarten	4	4
Grades One - Six	32	32
Grades Seven - Eight	10	10
Total	46	46
Grades Nine - Twelve	22	22
Total	68	68

**RICHEY PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 78J AND NO. 2
DAWSON COUNTY
RICHEY, MONTANA**

**District Tax Levies - All Applicable Funds
For the Year Ended June 30, 2014**

ELEMENTARY SCHOOL

General	28.65
Transportation	8.19
Technology	7.20
Bus Depreciation	6.46
	<hr/>
TOTAL	50.50

HIGH SCHOOL

General	35.08
Transportation	9.81
Bus Depreciation	2.77
Technology	5.60
Adult Education	0.80
	<hr/>
TOTAL	54.06

	DISTRICT TAXABLE VALUATION	-
Elementary		\$ 3,055,245
High School		\$ 3,215,136

RICHEY PUBLIC SCHOOLS
Schedule of Changes in Assets and Liabilities
Student Activities Private Purpose Trust
Year ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Athletics	\$ 29,630	\$ 2,833	\$ 6,827	\$ 25,636
Band/Chorus	468	1,788	1,215	1,041
Class of 2014	6,819	10,665	17,481	3
Class of 2015	5,554	9,957	5,183	10,328
Class of 2016	2,415	4,662	2,563	4,514
Class of 2017	516	2,591	1,727	1,380
Class of 2018	-	2,233	965	1,268
Athletic Coop	6,651	22,548	18,411	10,788
Cheerleader Coop	2,252	2,218	1,086	3,384
Annual	28,934	4,324	4,401	28,857
Cheerleader/Pep Club	1,049	1	47	1,003
Ag-Ed	1,497	2,234	2,050	1,681
FFA	9,648	28,068	27,998	9,718
Student Council	2,810	4,149	3,773	3,186
Book Deposit	1,186	20	-	1,206
Drama	2,449	4	-	2,453
Art	263	1	-	264
STW-Tech	2,984	5	-	2,989
Concessions	2,005	11,742	11,348	2,399
Laptop Insurance	375	250	-	625
	<u>\$ 107,505</u>	<u>\$ 110,293</u>	<u>\$ 105,075</u>	<u>\$ 112,723</u>

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

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 127,750	\$ 127,750	\$ 113,148	\$ (14,602)
Earnings on investments	-	-	786	786
Other local sources	152,533	152,533	174,860	22,327
State aid	834,177	834,177	1,101,613	267,436
Total revenues	<u>1,114,460</u>	<u>1,114,460</u>	<u>1,390,407</u>	<u>275,947</u>
Expenditures:				
Current:				
Instructional services	1,158,772	1,158,772	295,809	862,963
Supporting services:				
Students	-	-	-	-
Instructional staff	2,150	2,150	1,991	159
District administration	67,060	67,060	45,292	21,768
School administration	1,100	1,100	248	852
Business services	14,002	14,002	14,392	(390)
Operation and maintenance of facilities	5,300	5,300	44,998	(39,698)
Transportation	114,378	114,378	68,097	46,281
Special Education	3,350	3,350	63,093	(59,743)
Adult Education	12,600	12,600	3,216	9,384
Vocational Programs	13,116	13,116	13,588	(472)
Extracurricular Programs	19,475	19,475	8,497	10,978
Food Services	3,450	3,450	9,675	(6,225)
Capital outlay	125,725	125,725	471,223	(345,498)
Total expenditures	<u>1,540,478</u>	<u>1,540,478</u>	<u>1,040,119</u>	<u>500,359</u>
Excess of revenues over expenditures	<u>(426,018)</u>	<u>(426,018)</u>	<u>350,288</u>	<u>776,306</u>
Other Financing Sources(Uses):				
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(40,000)	(20,000)
Total other financing sources(uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(40,000)</u>	<u>(20,000)</u>
Net change in fund balance	<u>\$ (446,018)</u>	<u>\$ (446,018)</u>	310,288	<u>\$ 756,306</u>
Fund balances - beginning - Budget and GAAP basis			<u>484,918</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 795,206</u>	



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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
School Districts No. 78J and No. 2
Richey, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School Districts No. 78J and No. 2, Richey, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School Districts No. 78J and No. 2, Richey, Montana's basic financial statements, and have issued our report thereon dated September 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered School Districts No. 78J and No. 2, Richey, 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 Districts No. 78J and No. 2, Richey, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of School Districts No. 78J and No. 2, Richey, 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 Districts No. 78J and No. 2, Richey, 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 James J. Wosepka, PC

Baker, Montana
September 15, 2014