

**SCHOOL DISTRICT NO. 64D**  
**Bainville, Montana**

**FINANCIAL AND COMPLIANCE**  
**REPORT**

**Year ended June 30, 2014**

**SCHOOL DISTRICT NO. 64D  
Bainville, Montana**

**FINANCIAL AND COMPLIANCE REPORT  
Year ended June 30, 2014**

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# **Bainville Public School**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

This section of the Bainville School District's biennial financial report presents the management discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal years, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for Bainville School are as follows:

- ◆ Total net position is \$ 5,599,540.
- ◆ Total net position increased by \$ 373,253 or 7%.

### **USING THESE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 64D as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). There is also summarized financial information about the student activity trust fund for which the District acts as a trustee.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual fund statements that focus on various parts of the District's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

## **REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY**

One important question asked about the District's finances is, "Is the District better or worse off as a result of each year's activities?" The information found in the District-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

The change in net position (the difference between total assets & deferred outflow of resources and total liabilities & deferred inflow of resources) is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished each year. In addition, nonfinancial factors 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, condition of school buildings and other facilities must be considered in making an assessment of the overall health of the District.

**District's net position as follows:**

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Current assets	\$1,318,192	\$1,700,939	(\$382,747)	(23)%
Capital assets - net acc depreciation	4,808,444	3,652,485	1,155,959	32%
Total assets & Deferred Outflow	6,126,636	5,353,424	773,212	14%
Total liabilities & Deferred Inflow	527,096	127,137	399,959	315%
Net position	<u>\$5,599,540</u>	<u>\$5,226,287</u>	<u>\$373,253</u>	<u>7%</u>
Net position consists of:				
Net investment in Capital Assets	\$4,336,742	\$3,562,245	\$774,497	22%
Restricted net position	685,195	852,640	(167,445)	(20)%
Unrestricted net position	577,603	811,402	(233,799)	(29)%
Net position	<u>\$5,599,540</u>	<u>\$5,226,287</u>	<u>\$373,253</u>	<u>7%</u>

**District's program revenues were as follows:**

	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
Program Revenues:				
Operating Grants:				
Federal Grants				
Title I	31,274	65,062	(33,788)	(52)%
Title VI	23,330	21,768	1,562	7%
School Food programs	30,319	34,188	(3,869)	(11)%
State Special Education	32,698	31,554	1,144	4%
State & County Transportation	55,880	68,304	(12,424)	(18)%
Other	5,650	8,088	(2,438)	(30)%
Total Capital & Operating Grants	<u>179,151</u>	<u>228,964</u>	<u>(49,813)</u>	<u>(22)%</u>
User Charges:				
School Food fees	41,176	39,672	1,504	4%
Tuition	2,156	800	1,356	170%
Operation & Maintenance	39,200	36,050	3,150	9%
Total User Charges	<u>82,532</u>	<u>76,522</u>	<u>6,010</u>	<u>8%</u>
Total Program Revenues	<u>261,683</u>	<u>305,486</u>	<u>(43,803)</u>	<u>(14)%</u>

General Revenues:	2014	2013	Change	%
District property taxes	359,133	397,990	(38,857)	(10)%
State equalization	603,477	528,056	75,421	14%
Oil and Gas	2,197,633	1,709,118	488,515	29%
Other state revenue	97,457	100,589	(3,132)	(3)%
County property taxes	165,493	199,367	(33,874)	(17)%
Sale of Assets	10,828		10,828	
Loss/Gain on Disposal	(3,765)	9,342	(13,107)	(140)%
Contributions	40,803		40,803	
Interest	1,928	2,591	(663)	(26)%
Other	30,842	31,884	(1,042)	(3)%
Total General Revenue	3,503,829	2,978,937	524,892	18%
Total Revenue	\$3,765,512	\$3,284,423	\$481,089	15%

**District's expenses were as follows:**

	2014	2013	Change	%
Regular Instruction	\$1,305,673	\$1,123,070	\$182,603	16%
Special Education	131,402	120,340	11,062	9%
Adult Education	181	14,663	(14,482)	(99)%
Vocational Education	122,811	102,868	19,943	19%
Educational Media	51,853	45,717	6,136	13%
Support Services- Students	30,864	26,184	4,680	18%
General Administration	233,148	263,927	(30,779)	(12)%
Building Administration	15,212	44,361	(29,149)	(66)%
Business Administration	83,773	69,946	13,827	20%
Operation and Maintenance	659,295	444,536	214,759	48%
Student Transportation	234,849	199,779	35,070	18%
School Food	151,787	142,339	9,448	7%
Extracurricular	115,904	86,603	29,301	34%
Interest	3,014		3,014	
Unallocated depreciation	252,493	112,868	139,625	124%
Total expenses	3,392,259	2,797,201	595,058	21%
Less Charges for Services	(82,532)	(76,522)	(6,010)	8%
Less Program Revenues	(179,151)	(228,964)	49,813	(22)%
Net expenses	\$3,130,576	\$2,491,715	\$638,861	26%

## **FUND FINANCIAL STATEMENTS**

The District maintains individual government funds. These funds are considered major funds: General Fund, Transportation Fund, Retirement Fund, Miscellaneous Projects Fund and Building Reserve Fund. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.

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.

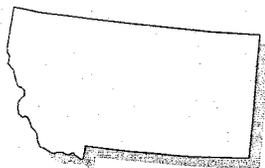
## **THE FUTURE OF THE DISTRICT**

The District is working to implement a long range financial plan to address the impacts of the Bakken if student/community growth is sustained at current rate. Those impacts will affect staff housing, busing, staffing, and facilities. The District is not equipped to handle continued growth without growth itself. The District is implementing short term fixes to everything from parking to class size. These short term fixes are designed as much as possible to not be at odds with the longer term growth.

District No. 64D is looking at severing football and cross country connections with the neighboring district and having stand-alone programs. That will mean the rehabilitation of the current track/field area. Costs for creating a football field could be from a few hundred thousand to several million dollars.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Office of the District Clerk, School District No. 64D, 409 Tubman, Bainville, Montana.



# ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

## INDEPENDENT AUDITORS REPORT

Board of Trustees  
School District No. 64D  
Bainville, 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. 64D, Bainville, 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. 64D's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 government activities, each major fund, and the aggregate remaining fund information of School District No. 64D, Bainville, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 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 response 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 64D's basic financial statements. The accompanying supplementary information the Supplemental Schedule of School District Enrollment (page 24) and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position (page 25) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedule of School District Enrollment and the Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Net Position are required by the State of Montana and are the responsibility of management and were 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, 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 Supplementary Schedule of School District Enrollment and the Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Prior Year Comparative Information*

We have previously audited School District No. 64D's June 30, 2013 financial statements, and we expressed a modified opinion on in our report dated June 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2014 on our consideration of School District No. 64D'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 the 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. 64D's internal control over financial reporting and compliance.

December 20, 2014



Ross R. Stalcup  
Certified Public Accountant

**SCHOOL DISTRICT NO. 64D  
Bainville, Montana**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash .....	\$1,266,155	\$1,631,144
Property Taxes Receivable .....	52,037	69,795
Total Current Assets .....	<u>1,318,192</u>	<u>1,700,939</u>
Capital Assets Net of Accumulated Depreciation ..	4,808,444	3,652,485
Total Assets .....	<u>6,126,636</u>	<u>5,353,424</u>
Deferred Outflow of Resources .....	0	0
Total Assets and Deferred Outflow of Resources ..	<u><u>6,126,636</u></u>	<u><u>5,353,424</u></u>
<b>LIABILITIES:</b>		
Current Liabilities		
Compensated Absences .....	18,464	12,272
Total Current Liabilities .....	<u>18,464</u>	<u>12,272</u>
Non Current Liabilities		
Compensated Absences .....	36,930	24,625
Loan Payable .....	471,702	90,240
Total Non Current Liabilities .....	<u>508,632</u>	<u>114,865</u>
Total Liabilities .....	<u>527,096</u>	<u>127,137</u>
Deferred Inflow of Resources .....	0	0
Total Liabilities and Deferred Inflow of Resources ..	<u>527,096</u>	<u>127,137</u>
Total Net Position .....	<u><u>5,599,540</u></u>	<u><u>5,226,287</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	4,336,742	3,562,245
Restricted		
Capital Outlay .....	443,497	477,700
Transportation .....	88,517	
Retirement .....		104,507
Bus Replacement .....	62,151	99,578
Other .....	91,030	170,855
.....	<u>685,195</u>	<u>852,640</u>
Unrestricted .....	577,603	811,402
Total Net Position .....	<u><u>\$5,599,540</u></u>	<u><u>\$5,226,287</u></u>

See Notes to Financial Statements

**SCHOOL DISTRICT NO. 64D**  
**Bainville, Montana**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Program Operating Grants	Revenue Charges for Services	Net (Expense) Revenue 2014	2013
<b>GOVERNMENT OPERATIONS</b>					
Instruction:					
Regular Instruction .....	\$1,305,673	\$56,380	\$2,156	(\$1,247,137)	(\$997,021)
Special Education .....	131,402	32,698		(98,704)	(88,786)
Adult Education .....	181			(181)	(14,663)
Vocational Education .....	122,811	3,874		(118,937)	(97,149)
Educational Media .....	51,853			(51,853)	(45,717)
Support Services - Students ..	30,864			(30,864)	(26,184)
Administration:					
General .....	233,148			(233,148)	(263,927)
Building .....	15,212			(15,212)	(44,361)
Business .....	83,773			(83,773)	(69,946)
Operation and Maintenance ..	659,295		39,200	(580,895)	(444,536)
Transportation .....	234,849	55,880		(178,969)	(131,475)
Food Services .....	151,787	30,319	41,176	(80,292)	(68,479)
Student Extracurricular .....	115,904			(115,904)	(86,603)
Interest .....	3,014			(3,014)	
Unallocated Depreciation .....	252,493			(252,493)	(112,868)
Totals .....	<u>\$3,392,259</u>	<u>\$179,151</u>	<u>\$82,532</u>	<u>(\$3,130,576)</u>	<u>(\$2,491,715)</u>
<b>GENERAL REVENUES</b>					
District Property Taxes .....				\$359,133	\$397,990
State Equalization .....				603,477	528,056
Oil and Gas .....				2,197,633	1,709,118
Other State Revenue .....				97,457	100,589
County Property Taxes .....				165,493	199,367
Sale of Assets .....				10,828	
Interest .....				1,928	2,591
Contributions .....				40,803	
Other .....				30,842	31,884
Loss on Disposal .....				(3,765)	9,342
Total General Revenues ..				<u>\$3,503,829</u>	<u>\$2,978,937</u>
<b>CHANGE IN NET POSITION</b> .....				373,253	487,222
<b>NET POSITION</b>					
Beginning of Year .....				5,226,287	4,933,309
Prior Period Adjustment .....					(194,244)
Beginning of Year Restated ..				<u>5,226,287</u>	<u>4,739,065</u>
End of the Year .....				<u>\$5,599,540</u>	<u>\$5,226,287</u>

See Notes to Financial Statements

SCHOOL DISTRICT NO. 64D  
Bainville, Montana

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	MAJOR FUNDS					NON MAJOR FUNDS			Total
	General Fund	Transportation Fund	Retirement Fund	Miscellaneous Fund	Building Reserve Fund	Other Governmental Funds			
<b>ASSETS:</b>									
Cash and Investments	\$250,190	\$77,052	\$15,931	\$371,076	\$408,990	\$142,916		\$1,266,155	
Property Taxes Receivable	30,307	11,465				10,265		52,037	
Due from Other Funds				34,507				34,507	
Total Assets	280,497	88,517	15,931	371,076	443,497	153,181		1,352,699	
Deferred Outflows of Resources	0	0	0	0	0	0		0	
Total Assets and Deferred Outflows of Resources	280,497	88,517	15,931	371,076	443,497	153,181		1,352,699	
<b>LIABILITIES:</b>									
Due to Other Funds			34,507					34,507	
Total Liabilities	0	0	34,507	0	0	0		34,507	
Deferred Inflows of Resources	30,307	11,465				10,265		52,037	
Total Liabilities and Deferred Inflows of Resources	30,307	11,465	34,507	0	0	10,265		86,544	
<b>FUND BALANCE:</b>									
Restricted		77,052		371,076	443,497	142,916		663,465	
Assigned			(18,576)					371,076	
Unassigned	250,190							231,614	
Total Fund Balance	250,190	77,052	(18,576)	371,076	443,497	142,916		1,266,155	
Total Liabilities and Fund Balance	\$280,497	\$88,517	\$15,931	\$371,076	\$443,497	\$153,181		\$1,352,699	

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	\$1,266,155
Net capital assets	4,808,444
Deferred inflow of resources	52,037
Less liabilities not reported above:	
Compensated absences	(55,394)
Loans Payable	(471,702)
Net Position	\$6,599,540

See Notes to Financial Statements

**SCHOOL DISTRICT NO. 64D**  
**Bainville, Montana**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	MAJOR FUNDS					NON MAJOR FUNDS					Total	
	General Fund	Transportation Fund	Retirement Fund	Miscellaneous Fund	Building Reserve Fund	Other Governmental Funds	General Fund	Transportation Fund	Retirement Fund	Miscellaneous Fund		Building Reserve Fund
<b>REVENUES:</b>												
District Levy	\$210,663	\$83,327			\$294	\$82,605						\$376,889
Direct State Aid	636,175											636,175
Oil and Gas	926,435	130,000			966,198	175,000						2,197,633
Other State Sources	92,125	28,974		3,874		3,231						128,204
County Sources		29,438										194,931
Federal Sources			165,493									165,493
User Fees	156					30,319						86,268
Interest	640	89	75		372	195						1,928
Contributions							40,803					40,803
Other	16,522		355		4,693	7,820						30,843
<b>Total Revenues</b>	<b>1,882,716</b>	<b>271,828</b>	<b>165,923</b>	<b>102,636</b>	<b>971,557</b>	<b>381,546</b>						<b>3,776,206</b>
<b>EXPENDITURES:</b>												
<b>Current Operations:</b>												
Instruction:												
Regular Programs	892,182		174,258		5,266	159,119						1,287,176
Special Programs	116,150		15,007		92	153						131,402
Adult Education			181									181
Vocational Education	105,153		15,436			2,222						122,811
Educational Media	46,918		4,875		60							51,853
Support Services Students	25,727					5,137						30,864
Administration:												
General	189,529	11,933	19,629		6,328	5,729						233,148
Building	12,841		1,035			1,336						15,212
Business	64,872	7,907	7,264		1,230	2,500						83,773
Operation and Maintenance	361,211		20,292		221,638	56,154						659,295
Transportation	31,285	187,930	15,108			526						234,849
Food Services	82,464		6,455			62,868						151,787
Student Extracurricular	106,438		9,466									115,904
Capital Outlay	89,121				1,067,089	162,673						1,318,883
Debt Service					94,712							94,712
<b>Total Expenditures</b>	<b>2,123,891</b>	<b>207,770</b>	<b>289,006</b>	<b>56,351</b>	<b>1,396,415</b>	<b>458,417</b>						<b>4,531,850</b>
Other Financing Sources												
Sale of Assets					10,828							10,828
Debt Proceeds					379,827							379,827
<b>Total Other Financing Sources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,655</b>	<b>0</b>						<b>390,655</b>
Excess (Deficiency) of Revenues Over Expenditures And Other Financing	(241,175)	64,058	(123,083)	46,285	(34,203)	(76,871)						(364,989)
<b>FUND BALANCE</b>												
Beginning of the Year	491,365	12,994	104,507	324,791	477,700	219,787						1,631,144
Prior Period Adjustment												0
Beginning of the Year Restated	491,365	12,994	104,507	324,791	477,700	219,787						1,631,144
End of the Year	\$250,190	\$77,052	(\$18,576)	\$371,076	\$443,497	\$142,916						\$1,266,155

See Notes to Financial Statements

SCHOOL DISTRICT NO. 64D  
Bainville, Montana

RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

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Change in Fund Balances .....	(\$364,989)
Change in Property Taxes Receivable not included in the Governmental Fund Statements .....	(17,758)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay .....	1,318,883
Increase in Compensated Absences .....	(18,497)
Proceeds from Borrowing .....	(379,827)
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Debt Principal .....	91,698
Depreciation .....	(252,493)
Loss on Disposal .....	(3,765)
Change in Net Position .....	<u>\$373,252</u>

See Notes to Financial Statements

SCHOOL DISTRICT NO. 64D  
Bainville, Montana

STATEMENT OF FIDUCIARY NET POSITION  
AND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash .....	<u>\$62,590</u>
NET POSITION	
Held in Trust .....	<u>62,590</u>
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers .....	97,167
Expenditures & Transfers .....	89,594
NET POSITION	
BEGINNING .....	<u>55,017</u>
ENDING .....	<u>\$62,590</u>

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See Notes to Financial Statements

**SCHOOL DISTRICT NO. 64D**  
**Bainville, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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Notes to Financial Statements (continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

All operations of School District No. 64D, Bainville, Montana are controlled by a Board of Trustees, elected in School-wide elections, and responsible for all of the School'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 (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

**B. 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 District with the exception of the student activity fund.

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. Adjustments have been made to eliminate the double recording of internal activities.

The Statement of Activities present 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 fund (the student activity fund). 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.

Notes to Financial Statements (continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred inflow of resources are recorded for these receivables. Property tax levies for the subsequent fiscal year are recorded as property tax receivables because they become a lien on real property as of January 1. Because these taxes are levied for the subsequent fiscal year, they are offset by deferred inflows.

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 under capital leases are reported as other financial sources.

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

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets & deferred inflow of resources, liabilities & deferred outflow of resources, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds.

Accordingly, the District reports the following major governmental funds:

General fund

This fund 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.

Transportation fund

To account for revenues and expenditures associated with District student transportation program.

Retirement fund

This fund accounts for the District's contribution to social security, retirement systems, and unemployment compensation for its employees.

Miscellaneous fund

This fund accounts for the revenues and expenditures of local, state, or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes are deposited in this fund.

Building Reserve fund

To account for revenues, expenditures, and transfers made to or from this fund.

The District also has a student activity fund accounting for the extracurricular activities of its students. This fund is a private-purpose trust fund.

The District's general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

State law permits investment of District funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program. Except for the private purpose trust fund, all cash and investments are held by the County Treasurer. Investments are stated at cost.

**D. Inventories**

Inventories are considered to be immaterial and are not recorded.

**E. Property Taxes**

Property taxes receivable at June 30 consist primarily of delinquent and protested property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflow of resources in the fund financial statements. Approximately 95% of protested taxes are collected. The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

**F. 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 fixed 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 . . . . . 20-80 years

Equipment . . . . . 6- 20 years

**G. Compensated Absences**

Vacation leave, within certain limitations, may be payable to administrative and classified (non-teaching) employees on termination. Sick leave is accumulated for classified employees at the rate of 12 working days for each year of service. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount on termination.

**H. Fund Equity**

See Note 7.

Notes to Financial Statements (continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**I. Use of Estimates**

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

An example is depreciation.

**J. Deferred Inflow/Outflow of Resources**

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

**2. CASH**

District cash and investments are held by the Roosevelt County Treasurer and invested at the direction of the District.

Student activity funds are deposited in FDIC insured, interest bearing, checking accounts.

The District does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments.

Notes to Financial Statements (continued)

**3. CAPITAL ASSETS**

Capital asset activity during 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Adjustments	Balance June 30, 2014
Cost of assets:					
Land	\$125,783	\$171,896		93,333	\$391,012
Buildings and Improvements	5,099,173	1,027,955			6,127,128
Equipment	1,101,289	228,828	(\$174,169)		1,155,948
Construction in Progress	90,240		(90,240)		0
Total	6,416,485	1,428,679	(264,409)	93,333	7,674,088
Accumulated depreciation:					
Land Improvements					
Buildings and Improvements	(2,349,622)	(128,883)			(2,478,505)
Equipment	(414,378)	(123,610)	150,849		(387,139)
Total	(2,764,000)	(252,493)	150,849	0	(2,865,644)
Capital Assets, Net	\$3,652,485	\$1,176,186	(\$113,560)	\$93,333	\$4,808,444

Depreciation is not allocated.

Notes to Financial Statements (continued)

**4. RETIREMENT PLANS**

The District participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan member and beneficiaries.

Contribution rates for both plans are required and determined by State law. The state of Montana makes on behalf payments for the District. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
TRS	8.47%	8.15%	2.11%	18.73%
PERS	7.80%	7.90%	0.37%	16.07%

The State on behalf payment is considered immaterial and has not been included in the financial statements.

The amounts contributed to TRS and PERS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
TRS	\$128,412	\$127,573	\$126,736
PERS	44,276	43,437	43,660
Total	<u>\$172,688</u>	<u>\$171,010</u>	<u>\$170,396</u>

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

MT Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, Montana 59620-0139  
Telephone (406) 444-3134

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

Notes to Financial Statements (continued)

**5. LONG TERM DEBT**

	June 30 2013	PPA	Payment	Additions	June 30 2014	Current
Compensated Absences	36,897			18,497	55,394	18,464
	36,897		0	18,497	55,394	18,464
Intercap Loan	90,240		(45,031)	379,827	425,036	\$90,556
Contract for Deed		93,333	(46,667)		46,666	46,666
Total	\$127,137	\$93,333	(\$91,698)	\$398,324	\$527,096	\$155,686

**6. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

School District No. 64D does not consider OPEB material because of a lack of employees retiring from the District and participating in the plan, and employee turnover.

These factors combine to preclude Health Insurance Plan statistically valid participation and retirement age assumptions.

## 7. FUND BALANCE/NET POSITION DISCLOSURES

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications in the fund statements:

### Non-spendable

Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Example- current portion of compensated absences.

### Restricted

Includes fund balances that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

### Committed

Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. An example is a resolution by the Board.

### Assigned

Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District management is responsible for assigning fund balance.

### Unassigned

Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

Additionally the statement addresses fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose.

Bainville School District has a general policy that fund balance is restricted for the statutory purpose of a fund, or in the case of the Miscellaneous Fund to the purpose of the individual grants.

The general policy also applies to fund classification. Additionally the District uses a general policy that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Notes to Financial Statements (continued)

**7. FUND BALANCE/NET POSITION DISCLOSURES**

Fund Type Classification is as follows:

Fund Classification  
by Revenue Source

	<u>Budget Basis</u>		
	General (All Purpose) Fund	Flexibility Fund	General Fund- Report
Taxes	210,663		210,663
Direct State Aid	636,175		636,175
Oil and Gas	526,435	400,000	926,435
Other State Revenue	92,125		92,125
User Fees	156		156
Interest	261	379	640
Other	1,955	14,567	16,522
Total Revenues	<u>1,467,770</u>	<u>414,946</u>	<u>1,882,716</u>
			0
Expenditures	<u>1,455,417</u>	<u>668,474</u>	<u>2,123,891</u>
			0
Transfers In (Out)			0
Change in Inventory			0
Change in Fund Balance	<u>12,353</u>	<u>(253,528)</u>	<u>(241,175)</u>
Fund Balance July 1	<u>125,270</u>	<u>366,095</u>	<u>491,365</u>
Prior Period Adjustment			0
Fund Balance July 1 Restated	<u>125,270</u>	<u>366,095</u>	<u>491,365</u>
Fund Balance June 30	<u>\$137,623</u>	<u>\$112,567</u>	<u>\$250,190</u>

Notes to Financial Statements (continued)

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Fund Balance Classification is as follows:

	MAJOR FUNDS				NON MAJOR		Total
	General Fund	Transportation	Retirement	Miscellaneous	Building Reserve	Other Government Funds	
Restricted:							
Instruction						7,370	7,370
Transportation		77,052					77,052
Bus Replacement						54,861	54,861
Retirement Benefits							0
Technology Acquisition						19,341	19,341
Adult Education						35,468	35,468
School Food Program						18,759	18,759
Housing						3,517	3,517
Capital Projects					443,497		443,497
Compensated Absence Liability						3,600	3,600
	0	77,052	0	0	443,497	142,916	663,465
Assigned:							
Instruction				371,076			371,076
	0	0	0	371,076	0	0	371,076
Unassigned:							
	250,190		(18,576)	0	0	0	231,614
Total Fund Balance	\$250,190	\$77,052	(\$18,576)	\$371,076	\$443,497	\$142,916	\$1,266,155

In the government wide statements fund equity is classified as net position and displayed in three components:

Net investment in Capital Assets. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.

Restricted. Further classified as expendable and non-expendable, generally the net position resulting from property taxes levied for a statutory purpose.

Unrestricted. All other assets.

**Net Position Classifications:**

Restricted	
Non expendable	
Expendable	685,195
Invested in Capital Assets	4,336,742
Unrestricted	577,603
	<u>\$5,599,540</u>

A reconciliation of Fund Balance by classification to restricted net position by classification follows:

	Deferred Inflow of Resources	Intercap & Contract	Compensated Absences	Capital Assets	Adjustments	Net Position
Fund Balances						
Restricted	663,465	21,730				685,195
Invest Capital Assets			(471,702)	4,808,444		4,336,742
Assigned	371,076				(371,076)	0
Unrestricted		30,307			547,296	577,603
Unassigned	231,614		(55,394)		(176,220)	0
Total	\$1,266,155	\$52,037	(\$471,702)	\$4,808,444	\$0	\$5,599,540

Notes to Financial Statements (continued)

**8. RISK MANAGEMENT**

The District faces a number of risks including:

- a) loss or damage to property
- b) general liability
- c) workers compensation
- d) employee medical insurance

Commercial insurance policies are purchased for loss or damage to property, general liability, and health insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP), for workers compensation coverage. Approximately 200 schools participate in WCRRP. All school participants in this pool are jointly and severally liable for the liabilities of this public risk pool.

The pool issues audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at:

WCRRP  
1 South Montana Avenue  
Helena, Montana 59601

**9. CONCENTRATIONS**

The District is dependent of Oil and Gas Tax Revenue, 52.5% of total revenue.

In the event of legislative or economic change the District's funding could be altered significantly.

**SCHOOL DISTRICT NO. 64D**  
Bainville, Montana

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES  
BUDGET AND ACTUAL  
GENERAL FUND, TRANSPORTATION FUND, RETIREMENT FUND  
Year Ended June 30, 2014**

	General Fund		Transportation Fund		Retirement Fund	
	Original Budget	Amended & Final Budget	Original Budget	Amended & Final Budget	Original Budget	Amended & Final Budget
<b>REVENUES</b>						
District Levy	\$209,038	\$208,038	\$78,662	\$78,662		
Direct State Aid	624,492	635,566				
Oil and Gas	526,436	526,436	130,000	130,000		
Other State Sources	92,355	92,355	31,900	31,900	165,493	165,493
County Sources			29,438	29,438		
Federal Sources						
User Fees						
Interest	449	449				
Other	12,929	12,929				
<b>Total Revenues</b>	<b>1,465,699</b>	<b>1,475,773</b>	<b>270,000</b>	<b>270,000</b>	<b>165,493</b>	<b>165,923</b>
<b>Total Expenditures</b>	<b>1,465,699</b>	<b>1,475,773</b>	<b>270,000</b>	<b>270,000</b>	<b>250,000</b>	<b>289,006</b>
<b>Other Financing Sources</b>						
Transfers In						
Out						
<b>Total Other Financing Sources</b>						
Excess of Revenues over Expenditures						
Change in Inventory						
<b>Net Change in Fund Balance - Budget Basis</b>						

See notes to required supplemental information.

**SCHOOL DISTRICT NO. 64D  
Bainville, Montana**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2014**

**Budgets:**

Budgets are adopted by funds defined as budgeted funds as defined in state law (MCA 20-9-201).

The budgets must be adopted on or before August 20<sup>th</sup> of each year, but may be continued day to day until August 25<sup>th</sup>. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control. Encumbrances do not represent expenditures for the period for generally accepted accounting principles. None were included in the financial statements.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There were amendments to the budgets, the amounts shown above are the original, amended, and final budgeted amounts.

The General Fund and the Flexibility Fund are combined in the GAAP Basis Statements. (See Note 7.)

**BAINVILLE PUBLIC SCHOOL  
DISTRICT NO. 64D, ROOSEVELT COUNTY  
Bainville, Montana**

**SUPPLEMENTARY SCHEDULE OF SCHOOL DISTRICT ENROLLMENT**

**Year Ended June 30, 2014**

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	13	13	13	13	12	12
Grades 1 - 6	82	82	82	82	76	76
Grades 7 - 8	24	24	24	24	23	23
Total	119	119	119	119	111	111
High School	44	44	44	44	45	45
Total	163	163	163	163	156	156
High School Students Part-time	1	1	1	1	1	1

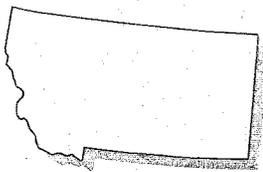
**BAINVILLE PUBLIC SCHOOL  
DISTRICT NO. 64D, ROOSEVELT COUNTY  
Bainville, Montana**

**EXTRACURRICULAR FUND**

**SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION  
BY STUDENT ACTIVITY**

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

<b>Student Activity</b>	<b>Balance June 30, 2013</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers In (Out)</b>	<b>Balance June 30, 2014</b>
Athletics	\$11,837	\$17,780	\$20,304	\$960	\$10,273
Class of 2015	5,718	5,358	3,863	1,414	8,627
Class of 2014	6,663	6,784	15,446	2,568	569
Class of 2016	5,343	4,422	3,042	1,494	8,217
Class of 2017	3,653	4,873	2,931	1,504	7,099
Class of 2018	1,015	1,580	1,044	1,311	2,862
Class of 2019	0	2,378	1,628	1,301	2,051
Business Professionals of America	6,626	4,303	3,019	1,045	8,955
FFA	2,034	4,151	5,905	955	1,235
Student Council	6,710	40,043	27,553	(12,552)	6,648
Cheer	0	1,246	1,346	1,268	1,168
Annual	699	615	112		1,202
Music Club	1,096	930	1,508		518
Interest	168	31			199
Explore America	168				168
Honor Society	351		264		87
Pep Club	2,109	428	636	(1,268)	633
After Prom	827	2,245	993		2,079
	<b>\$55,017</b>	<b>\$97,167</b>	<b>\$89,594</b>	<b>\$0</b>	<b>\$62,590</b>



# ROSS R. STALCUP

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CERTIFIED PUBLIC ACCOUNTANT, P.C.

**INDEPENDENT AUDITORS 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 District No. 64D  
Bainville, Montana

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 64D, Bainville, 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. 64D's basic financial statements, and have issued our report thereon dated December 20, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered School District No. 64D'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. 64D's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 64D'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. We consider the deficiencies described in the accompanying Summary of Findings and Questioned Costs to be significant deficiencies. (Finding No. 2014-01)

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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.

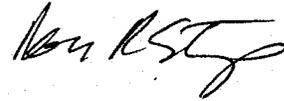
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether School District No. 64D'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* in the accompanying Summary of Findings and Questioned Costs.

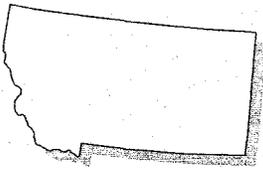
**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

December 20, 2014



Ross R. Stalcup  
Certified Public Accountant



# ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

## INDEPENDENT AUDITORS REPORT SUMMARY OF FINDINGS AND QUESTIONED COSTS

Board of Trustees  
School District No. 64D  
Bainville, Montana

The following is a Schedule of Findings and Questioned Costs which arose during the audit of year ended June 30, 2014.

### Current Year INTERNAL CONTROL FINDINGS

#### 2014-01 Segregation of Duties

Criteria: Segregation of duties is essential for internal control.

Condition: The District does not have ideal segregation of duties.

Context: The District had one employee assigned to the accounting function.

Effect: Internal control is not optimal.

Cause: The small staff of the District does not allow for ideal segregation of duties.

Recommendation: We recommend the Board direct the Superintendent to take an active role so that compensating controls exist and that the Board monitor the District's activities.

### Status of Prior Year's Findings

- 13-01 Internal Control over Financial Reporting- no longer considered a finding
- 13-02 Segregation of Duties- recurring, Finding No. 2014-01
- 13-03 Other Post Employment Benefits- not a finding
- 13-04 General Internal Control- corrected
- 13-05 Internal Control over Cash Receipts- corrected

December 20, 2014

Ross R. Stalcup  
Certified Public Accountant