

BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA  
Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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BELGRADE PUBLIC SCHOOLS

GALLATIN COUNTY, MONTANA

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BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Lance Voegele	Chairperson
Peter Morgan	Vice Chairperson
Dee Batey	Trustee
Robert Marx	Trustee
Renaë Mattimoe	Trustee
Ted Mongeon	Trustee
Davey Lynn Haglund	Trustee

**DISTRICT OFFICIALS**

Candy Lubansky	District Superintendent
Jay Bates	Business Manager
Mary Ellen Fitzgerald	County Superintendent
Marty Lambert	County Attorney

**BELGRADE SCHOOL DISTRICT NO. 44**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

The Superintendent and Business Manager of the Belgrade School District provide this Management Discussion and Analysis. The discussion and analysis of Belgrade School District's financial performance provides an overall review of the School District's financial activities for the fiscal Year Ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 include:

- ▶ In total, net position decreased \$534,208 from fiscal year 2013 to fiscal year 2014. Net position of governmental activities decreased \$516,713 and net position of business-type activities decreased \$17,495.
- ▶ Total assets of governmental activities increased primarily from an increase of investments in capital assets as of fiscal year end.
- ▶ Total liabilities of governmental activities decreased \$1,275,879 from fiscal year 2013 to fiscal year 2014.
- ▶ Building of the District's newest elementary school neared completion at June 30, 2014 and the Board of Trustees approved Saddle Peak Elementary as its name.
- ▶ The School District had \$30,696,385 in expenses related to governmental activities. Total revenues (primarily property taxes from state and local sources, grants and entitlements) of \$30,132,015 were adequate to provide for our program expenditures.
- ▶ The School District's Average Number Belonging enrollment increased 37 students in the Elementary District and increased 8 students in the High School District from fiscal year 2013 to fiscal year 2014.
- ▶ Elementary Miscellaneous Programs Fund is considered a major fund in addition to the General Fund.

**Using the Basic Financial Statements**

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

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

## Reporting the School District as a Whole

### *Statement of Net Position and Statement of Activities*

These reports include two district-wide statements that focus on assets, liabilities, net positions and one for operations of the district as a whole. The Statement of Net Position reports assets, liabilities and net position as of June 30, 2014 and the Statement of Activities measures revenues and expenditures using an economic resources measurement focus, and use the accrual basis of accounting. *Measurement focus* refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering *which* resources are measured and *when* the effects of transactions and events involving those resources are recognized; *when* effects are recognized is referred to as the basis of accounting. Therefore, the basis of accounting measures when revenues and expenditures are recognized in the accounts and reported in the financial statements. The *accrual basis of accounting* is similar to the accounting system used by most private sector companies. The accrual basis of accounting takes into account all current year revenues and expenses regardless of when the cash was received or paid. Activities that are fiduciary in nature are not included in these statements.

While an audit reviews all funds used by the School District to provide programs and activities, the "view" of the School District evaluates all financial transactions and asks the question "How did we do financially during the 2013-2014 fiscal year?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all *assets* (what is owned) and *liabilities* (what is owed) and the *net position* (the resources that would remain after assets were used to settle all obligations) of the School District. The Statement of Net Position categorizes assets into current assets, which are liquid, such as cash and cash equivalents, and noncurrent assets such as capitalized assets. Likewise, liabilities are categorized as current liabilities such as accounts payable and noncurrent liabilities such as bonds payable. The net position section of the Statement of Net Position summarizes unrestricted assets and details restrictions placed on other assets for various purposes. Restricted assets include restrictions relating to capital projects, debt service, special projects and investments in capital assets such as buildings, equipment and other long-lived property.

These two statements report the School District's net position and changes in net position. This change in net position is important because it identifies whether the financial position of the School District as a whole has improved or diminished. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the School

Districts property tax base, current Montana property tax laws, increases or decreases in enrollment, required educational programs, facility growth, and other factors. Financial factors include timeliness of tax collections, unexpected expenditures, changes to state funding, increases or decreases in the rate of return on investments, and other factors.

The Statement of Net Position and the Statement of Activities divide the activities of the School District into two categories of activities:

**Governmental Activities** – Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of facilities, pupil transportation, and extracurricular activities. Property taxes, state and federal revenues usually support most of these functions of the District.

**Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all related expenses. The High School Auditorium, Special Events Center and Daycare enterprise funds are reported as business-type activities.

## **Reporting the School District’s Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District’s major funds begins on page 28 Fund financial statements provide detailed information about the funds used by the School District. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of School Districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund financial statements report balances and activities of the most significant, or *major* funds separately and combine activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district’s operations and the existence of legal budget requirements. The School District considers the General Fund, Debt Service Fund and Elementary Miscellaneous Programs Fund as major funds.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds. These funds use the modified accrual basis of accounting and represent the majority of the district’s activities and programs. The fund balance section of the balance sheet segregates governmental fund balance into non-spendable, restricted, assigned and unassigned in agreement with Governmental Accounting Standards Board (GASB) statement number 54.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows are shown for proprietary (business-type) funds, covering district activities that generally provide services on a cost-recovery basis between various funds of the district such as the High School Auditorium, Special Events Center and Daycare Enterprise funds. Proprietary funds use the accrual basis of accounting.

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

## **Reporting the District’s Trust and Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for the elementary and high school endowment funds, miscellaneous trust fund and student extracurricular funds. The report, on pages 23 and 24 includes the activities associated with these money’s in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its governmental operations. The District is responsible for ensuring these assets are used for their intended purpose.

## Budget-to-Actual Comparisons

The budgetary comparison schedule on page 42 show how actual expenditures compare to the original and final budgeted expenditures for the general fund. After audit adjustments, the District's general fund expenditures were \$65,830 under budget for the fiscal year.

## The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 and 2013.

Table 1  
Net Position

	Governmental Activities			Business-type Activities		Change
	FY14	FY13	Change	FY14	FY13	
Current and other assets	\$11,934,947	\$14,483,337	\$(2,548,390)	\$ 81,622	\$ 95,621	\$ (13,999)
Capital assets	33,505,952	32,750,154	755,798	-	510	(510)
Total assets	45,440,899	47,233,491	(1,792,592)	81,622	96,131	(14,509)
Long-term debt outstanding	\$24,471,646	\$25,670,711	\$(1,199,065)	\$ 3,732	\$ 746	\$ 2,986
Other liabilities	47,063	123,877	(76,814)	-	-	-
Total liabilities	24,518,709	25,794,588	(1,275,879)	3,732	746	2,986
Net position:						
Investment in capital assets	14,609,952	12,014,154	2,595,798	-	510	(510)
Restricted	7,130,113	8,282,126	(1,152,013)	819,339	-	819,339
Unrestricted (deficit)	(817,875)	1,142,623	(1,960,498)	(741,449)	94,875	(836,324)
Total net position	\$20,922,190	\$21,438,903	\$ (516,713)	\$ 77,890	\$ 95,385	\$ (17,495)

Table 2 shows the changes in net position for Fiscal Year 2014 and 2013.

Table 2  
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	FY14	FY13	Change	FY14	FY13	Change
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 573,910	\$575,055	\$ (1,145)	\$ 231,274	\$ 213,780	\$ 17,494
Operating grants and contributions	3,618,999	3,735,875	(116,876)	38,780	41,585	(2,805)
Capital grants and contributions		-				
<i>General revenues (by major source):</i>	8,982,501		(428,402)	-	-	-
Property taxes for general purposes	12,998,591	9,410,903	111,815	-	-	-
Grants and entitlements not restricted to specific programs	69,736	12,886,776	69,736	-	-	-
Investment earnings	70,619	121,035	(50,416)	705	702	3
Miscellaneous (other revenue)	301,134	303,563	(2,429)	28,317	7,411	20,906
State entitlement (block grants)	684,776	684,774	2	-	-	-
State technology	39,819	20,109	19,710	-	-	-
County retirement	2,791,930	2,219,014	572,916	-	-	-
<b>Total revenues</b>	<b>\$ 30,132,015</b>	<b>\$29,957,104</b>	<b>\$ 174,911</b>	<b>\$ 299,076</b>	<b>\$ 263,478</b>	<b>\$ 35,598</b>
<b>Program expenses</b>						
Instructional - regular	\$ 13,762,248	\$12,284,086	\$ 1,478,161			
Instructional - special education	2,137,737	2,190,869	(53,132)			
Instructional - vocational education	602,806	605,870	(3,064)			
Instructional - adult education	28,890	7,494	21,396			
Supporting services - operations & maintenance	3,704,782	3,104,733	600,049			
Supporting services - general	1,939,563	1,640,359	299,204			
Supporting services - educational media services	1,366,990	1,271,799	95,191			
Supporting services - central	223,705	-	(8,262)			
Administration - general	1,953,130	231,967	237,074			
Administration - school	1,094,708	1,716,056	400,789			
Administration - business	1,468,544	693,919	112,992			
Student transportation	522,082	1,355,552	(54,421)			
Extracurricular	1,198,947	576,503	55,823			
School food	27,831	1,143,124	(1,998)			
Community services	-	29,829	(810,083)			
Debt service expense - interest	310,720	810,083	310,720			
Capital outlay	345,946	-	254,401			
Unallocated depreciation	7,756	91,545	7,756			
Other current charges	-	-	-			
Interest and fiscal charges	-	-	-			
Special assessments	-	-	-			
Enterprise services	-	-	-			
Elementary Day Care				\$ 165,282	\$ 104,719	\$ 60,563
Elementary Miscellaneous Enterprise				4,630	9,993	(5,363)
High School Miscellaneous Enterprise				148,006	165,580	(17,574)
<b>Total expenses</b>	<b>\$ 30,696,385</b>	<b>\$27,753,788</b>	<b>\$2,942,596</b>	<b>\$ 317,918</b>	<b>\$ 280,292</b>	<b>\$ 37,626</b>
Excess (deficiency) before special items and transfers	\$ (564,370)	\$2,203,316	\$(2,767,685)	\$(18,842)	\$(16,814)	\$(2,028)
Gain (loss) on sale of capital assets	-	-	-	-	-	-
<b>Increase(decrease) in net position</b>	<b>\$ (564,370)</b>	<b>\$2,203,316</b>	<b>\$(2,767,685)</b>	<b>\$(18,842)</b>	<b>\$(16,814)</b>	<b>\$(2,028)</b>

### *Governmental Activities*

In Montana, school districts must seek voter approval for an additional levy authority needed to operate the school district over what was approved in prior years and what will be received from the State. Property taxes for general purposes made up 29.81% in fiscal year 2014 and 31.41% in fiscal year 2013 of total governmental activities revenues the Belgrade School District.

The major categories of expenses are presented in Table 4. Of these expenses, the largest function is Instruction, which comprises 54% of District expenses.

### *Spending Levels Compared to Resource Levels*

The School District's spending for governmental activities was \$564,370 more than the total revenues for the District, including program and governmental revenues.

### **Analysis of Financial Information**

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

*General Information about Belgrade School District.* Belgrade School District is located in Gallatin County, which is situated in southwestern Montana. The District encompasses approximately 165 square miles. According to the 2007 United States Bureau of Census, the City of Belgrade has a population of 8,047. The District provides instruction to students in preschool classes through 12<sup>th</sup> grade. All but one of the buildings is located in the city limits of Belgrade. The core purpose of Belgrade School District is to graduate students who have skills, knowledge, information and attitudes to become accomplished citizens in the 21<sup>st</sup> Century. It is the District's duty to integrate the newest advancements in technology, whenever possible, and to help our students meet the challenges of our constantly changing world. The District endeavors to promote cooperation with parents and the community to provide every child a safe environment while teaching them the core curriculum as adopted by the Office of Public Instruction.

*Where do the resources come from?* The majority of resources utilized by the District come from local property taxes, state aid, state and federal grants, and interest revenue. Table 3 shows the percent of the resource components listed above to the total resources of the District.

*What does it cost?* The major expenditure functions of the District include instructional, operations, administration, capital outlay, transportation and debt service. Table 4 illustrates the costs of major functions and their relative size, compared to total expenditures.

**Table 3  
Major Resources**

	Governmental Activities	Business-type Activities	Total School District	Percent of Total
Revenues				
Program revenues (by major source):				
Charges for services	\$ 573,910	\$ 231,274	\$ 805,184	2.65%
Operating grants and contributions	3,618,999	38,780	3,657,779	12.02%
Capital grants and contributions	0	0	0	0.00%
General revenues (by major source):				
Property taxes for general purposes	8,982,501	0	8,982,501	29.52%
Grants and entitlements not restricted to specific programs	12,998,591	0	12,998,591	42.72%
Other State Grants	69,736	0	69,736	0.23%
Investment earnings	70,619	705	71,324	0.23%
Miscellaneous (other revenue)	301,134	28,317	329,451	1.08%
State entitlement (block grants)	684,776	0	684,776	2.25%
State technology	39,819	0	39,819	0.13%
County retirement	2,791,930	0	2,791,930	9.17%
Total revenues	\$ 30,132,015	\$ 299,076	\$ 30,431,091	100.00%

**Table 4  
Major Expenditure Functions**

	Governmental Activities	Business-type Activities	Total School District	Percent of Total
Instructional	\$ 16,531,681		\$ 16,531,681	53.30%
Supporting services	7,011,335		7,011,335	22.60%
Administration	3,271,543		3,271,543	10.55%
Student transportation	1,468,544		1,468,544	4.74%
Extracurricular	522,082		522,082	1.68%
School food	1,198,947		1,198,947	3.87%
Community services	27,831		27,831	0.09%
Debt service expense – interest	310,720		310,720	1.00%
Unallocated depreciation	345,946		345,946	1.12%
Enterprise services	7,756		7,756	0.03%
Elementary Day Care		\$ 165,282	\$ 165,282	0.53%
Elementary Miscellaneous Enterprise		4,630	4,630	0.01%
High School Miscellaneous Enterprise		148,006	148,006	0.48%
Total expenses	\$ 30,696,385	\$ 317,918	\$ 31,014,303	100.00%

*What are the Capital Assets and Debt of the District?* Capital Assets of the district are assets purchased with a cost of \$5,000 or more and a useful life of one year or more. The majority of items included in capital assets are buildings and building improvements, school buses, and equipment such as copy machines. Because of the \$5,000 capitalization threshold for the district individual technology purchases are rarely considered capital assets. Table 5 summarizes the capital assets for the district. Debt of the district consists of accounts payable, bonds, compensated absences and other post-employment benefits. Total debt of the district as of June 30, 2014 was \$24,518,709. During fiscal year 2014 the district issued refunding bonds to retire existing bonds before their maturity. The purpose of issuing refunding bonds was to take advantage of lower interest rates and reduce interest expenditures for the district. Elementary Series 2005 and 2009 Bonds were refunded in the amounts of \$3,809,818 & \$1,594,472 respectively. High School Series 2004 Bonds were refunded in the amount of \$405,367 & \$2,178,791. General Obligation Refunding Bonds, Series 2014 were issued as follows: Elementary Series 2014 Bonds in the amount of \$5,225,000 and High School Series 2014 Bond in the amount of \$2,485,000. Both Elementary Series 2014 and High School Series 2014 Bonds are scheduled to mature June 1, 2025.

Table 5  
Capital Assets

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Total School <u>Districts</u>
Land	\$ 1,537,878	-	\$ 1,537,878
Construction in Progress	157,926	-	157,926
Buildings	43,548,886	-	43,548,886
Machinery and equipment	5,925,047	37,328	5,962,375
Intangibles	41,595	-	41,595
Accumulated Depreciation	<u>(17,705,380)</u>	<u>(37,328)</u>	<u>(17,742,708)</u>
Total	<u>\$ 33,505,952</u>	<u>\$ -</u>	<u>\$ 33,505,952</u>

*What changes and trends affect the district's future?* On March 1, 2011 the District received approval from the electorate to issue \$12,410,000 in General Obligation Bonds to build an elementary school on property the District owned north of the Middle School. Of the total bonds issued \$2,181,000 were Qualified School Construction Bonds (QSCB) with principal and interest payments subsidized by the Federal Government. Initial costs of the new elementary school began March 2011 and construction began April 2012. The district opened the new elementary school on the first day of school in August 2013. The new school is named Saddle Peak Elementary with a current K-3 grade configuration. Also, on that March 1, 2011 the electorate approved additional tax levies for the purpose of an Elementary Building Reserve Fund and a High School Building Reserve Fund in annual amounts of \$350,000 and \$150,000, respectively. The duration of both levies is ten years. Table 6 provides a summary of the growth in enrollment over the past years.

Table 6  
October 1 Enrollment Counts

Fiscal Year	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Elementary	1996	2080	2086	2154	2179	2229	2246	2312	2328	2346
High School	806	809	859	828	830	888	823	849	850	857

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Belgrade Public Schools  
Gallatin County  
Belgrade, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Belgrade Public Schools, Gallatin County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Belgrade Public Schools, Gallatin County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the Belgrade Public Schools, Gallatin County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 10, 43 through 44, and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 February 24, 2015 on our consideration of the Belgrade Public Schools, Gallatin County, 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 Belgrade Public Schools, Gallatin County, Montana's internal control over financial reporting and compliance.

*Derringer, Downey and Associates, CPAs, P.C.*

February 24, 2015

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 10,263,362	\$ 81,485	\$ 10,344,847
Taxes and assessments receivable, net	803,772	-	803,772
Accounts receivable - net	1,509	137	1,646
Due from other governments	368,370	-	368,370
Inventories	89,229	-	89,229
Total current assets	<u>\$ 11,526,242</u>	<u>\$ 81,622</u>	<u>\$ 11,607,864</u>
Noncurrent assets			
Restricted cash and investments	\$ 408,705	\$ -	\$ 408,705
Capital assets - land	1,537,878	-	1,537,878
Capital assets - construction in progress	157,926	-	157,926
Capital assets - depreciable, net	31,810,148	-	31,810,148
Total noncurrent assets	<u>\$ 33,914,657</u>	<u>\$ -</u>	<u>\$ 33,914,657</u>
Total assets	<u>\$ 45,440,899</u>	<u>\$ 81,622</u>	<u>\$ 45,522,521</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 47,063	\$ -	\$ 47,063
Current portion of long-term capital liabilities	1,120,000	-	1,120,000
Current portion of compensated absences payable	525,383	262	525,645
Total current liabilities	<u>\$ 1,692,446</u>	<u>\$ 262</u>	<u>\$ 1,692,708</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 3,836,013	\$ -	\$ 3,836,013
Noncurrent portion of long-term capital liabilities	17,776,000	-	17,776,000
Noncurrent portion of compensated absences	1,214,250	3,470	1,217,720
Total noncurrent liabilities	<u>\$ 22,826,263</u>	<u>\$ 3,470</u>	<u>\$ 22,829,733</u>
Total liabilities	<u>\$ 24,518,709</u>	<u>\$ 3,732</u>	<u>\$ 24,522,441</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 14,609,952	\$ -	\$ 14,609,952
Restricted for capital projects	1,447,202	-	1,447,202
Restricted for debt service	1,225,535	-	1,225,535
Restricted for special projects	4,443,804	-	4,443,804
Restricted for other purposes	13,572	1,464	15,036
Unrestricted	(817,875)	76,426	(741,449)
Total net position	<u>\$ 20,922,190</u>	<u>\$ 77,890</u>	<u>\$ 21,000,080</u>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Primary government:</b>						
Governmental activities:						
Instructional - regular	\$ 13,762,248	\$ 47,845	\$ 732,164	\$ (12,982,239)	\$ -	\$ (12,982,239)
Instructional - special education	2,137,737	-	1,275,225	(862,512)	-	(862,512)
Instructional - vocational education	602,806	-	23,870	(578,936)	-	(578,936)
Instructional - adult education	28,890	-	-	(28,890)	-	(28,890)
Supporting services - operations & maintenance	3,704,782	-	-	(3,704,782)	-	(3,704,782)
Supporting services - general	1,939,563	-	288,962	(1,650,601)	-	(1,650,601)
Supporting services - educational media services	1,366,990	-	-	(1,366,990)	-	(1,366,990)
Administration - general	223,705	-	215,328	(8,377)	-	(8,377)
Administration - school	1,953,130	-	-	(1,953,130)	-	(1,953,130)
Administration - business	1,094,708	-	-	(1,094,708)	-	(1,094,708)
Student transportation	1,468,544	562	510,980	(957,002)	-	(957,002)
Extracurricular	522,082	-	-	(522,082)	-	(522,082)
School food	1,198,947	525,503	572,470	(100,974)	-	(100,974)
Community services	27,831	-	-	(27,831)	-	(27,831)
Debt service expense - interest	310,720	-	-	(310,720)	-	(310,720)
Unallocated depreciation*	345,946	-	-	(345,946)	-	(345,946)
Enterprise services	7,756	-	-	(7,756)	-	(7,756)
Total governmental activities	\$ 30,696,385	\$ 573,910	\$ 3,618,999	\$ (26,503,476)	\$ -	\$ (26,503,476)
Business-type activities:						
Elementary Day Care	\$ 165,282	\$ 103,941	\$ 35,780	\$ -	\$ (25,561)	\$ (25,561)
Elementary Miscellaneous	4,630	-	3,000	-	(1,630)	(1,630)
High School Miscellaneous Enterprise	148,006	127,333	-	-	(20,673)	(20,673)
Total business-type activities	\$ 317,918	\$ 231,274	\$ 38,780	\$ -	\$ (47,864)	\$ (47,864)
Total primary government	\$ 31,014,303	\$ 805,184	\$ 3,657,779	\$ (26,503,476)	\$ (47,864)	\$ (26,551,340)
<b>General Revenues:</b>						
Property taxes for general purposes				\$ 8,982,501	\$ -	\$ 8,982,501
Grants and entitlements not restricted to specific programs				12,998,591	-	12,998,591
Other state grants				69,736	-	69,736
Investment earnings				70,619	705	71,324
Miscellaneous (other revenue)				301,134	28,317	329,451
State entitlement (block grants)				684,776	-	684,776
State technology				39,819	-	39,819
County retirement				2,791,930	-	2,791,930
Total general revenues, special items and transfers				\$ 25,939,106	\$ 29,022	\$ 25,968,128
Change in net position				\$ (564,370)	\$ (18,842)	\$ (583,212)
Net position - beginning				\$ 21,438,903	\$ 95,385	\$ 21,534,288
Restatements				47,657	1,347	49,004
Net position - beginning - restated				\$ 21,486,560	\$ 96,732	\$ 21,583,292
Net position - end				\$ 20,922,190	\$ 77,890	\$ 21,000,080

\* This amount excludes the depreciation that is included in the direct expenses of the various programs  
See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**

**Balance Sheet**

**Governmental Funds**

**June 30, 2014**

	<u>General</u>	<u>Elementary Miscellaneous</u>	<u>Elementary Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 3,041,664	\$ 1,413,711	\$ 361,697	\$ 4,210,636	\$ 9,027,708
Taxes and assessments receivable, net	526,592	-	102,917	174,263	803,772
Accounts receivable - net	-	-	-	1,509	1,509
Due from other governments	924	272,862	-	94,584	368,370
Inventories	-	-	-	89,229	89,229
Total current assets	\$ <u>3,569,180</u>	\$ <u>1,686,573</u>	\$ <u>464,614</u>	\$ <u>4,570,221</u>	\$ <u>10,290,588</u>
Noncurrent assets:					
Restricted cash and investments	\$ -	\$ -	\$ 408,705	\$ -	\$ 408,705
Total noncurrent assets	\$ -	\$ -	\$ 408,705	\$ -	\$ 408,705
Total assets	\$ <u>3,569,180</u>	\$ <u>1,686,573</u>	\$ <u>873,319</u>	\$ <u>4,570,221</u>	\$ <u>10,699,293</u>
Current liabilities:					
Accounts payable	\$ 47,063	\$ -	\$ -	\$ -	\$ 47,063
Total current liabilities	\$ 47,063	\$ -	\$ -	\$ -	\$ 47,063
Total liabilities	\$ <u>47,063</u>	\$ -	\$ -	\$ -	\$ <u>47,063</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources	\$ 526,592	\$ -	\$ 102,917	\$ 174,263	\$ 803,772
Total deferred inflows of resources	\$ <u>526,592</u>	\$ -	\$ <u>102,917</u>	\$ <u>174,263</u>	\$ <u>803,772</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ 89,229	\$ 89,229
Restricted	-	1,686,573	770,402	4,306,729	6,763,704
Assigned	179,310	-	-	-	179,310
Unassigned fund balance	2,816,215	-	-	-	2,816,215
Total fund balance	\$ <u>2,995,525</u>	\$ <u>1,686,573</u>	\$ <u>770,402</u>	\$ <u>4,395,958</u>	\$ <u>9,848,458</u>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2014**

<b>Total fund balances - governmental funds</b>	\$ 9,848,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,505,952
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	803,772
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets	1,235,654
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(24,471,646)
<b>Total net position - governmental activities</b>	<b>\$ <u>20,922,190</u></b>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General</u>	<u>Elementary Miscellaneous</u>	<u>Elementary Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local revenue	\$ 5,746,918	\$ 82,868	\$ 1,261,019	\$ 2,798,830	\$ 9,889,635
County revenue	-	-	-	3,047,420	3,047,420
State revenue	14,004,324	515,291	363,792	517,485	15,400,892
Federal revenue	-	1,143,161	-	589,450	1,732,611
Total revenues	<u>\$ 19,751,242</u>	<u>\$ 1,741,320</u>	<u>\$ 1,624,811</u>	<u>\$ 6,953,185</u>	<u>\$ 30,070,558</u>
<b>EXPENDITURES</b>					
Instructional - regular	\$ 9,709,067	\$ 707,817	\$ -	\$ 2,014,426	\$ 12,431,310
Instructional - special education	1,342,223	527,403	-	180,490	2,050,116
Instructional - vocational education	499,820	-	-	102,986	602,806
Instructional - adult education	-	-	-	28,890	28,890
Supporting services - operations & maintenance	2,646,746	-	-	352,834	2,999,580
Supporting services - general	1,367,283	183,757	-	316,482	1,867,522
Supporting services - educational media services	1,044,667	25,125	-	252,114	1,321,906
Administration - general	134,062	2,890	-	57,549	194,501
Administration - school	1,564,902	614	-	284,042	1,849,558
Administration - business	879,459	49	-	185,291	1,064,799
Student transportation	11,627	1,911	-	1,225,612	1,239,150
Extracurricular	415,298	8,851	-	89,417	513,566
School food	29,555	-	-	1,164,148	1,193,703
Community services	1,047	1,142	-	25,642	27,831
Debt service expense - principal	-	-	6,370,000	3,180,000	9,550,000
Debt service expense - interest	-	-	350,339	(39,619)	310,720
Capital outlay	427,376	44,843	-	1,551,341	2,023,560
Enterprise services	-	66	-	7,690	7,756
Total expenditures	<u>\$ 20,073,132</u>	<u>\$ 1,504,468</u>	<u>\$ 6,720,339</u>	<u>\$ 10,979,335</u>	<u>\$ 39,277,274</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (321,890)</u>	<u>\$ 236,852</u>	<u>\$ (5,095,528)</u>	<u>\$ (4,026,150)</u>	<u>\$ (9,206,716)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long term debt	\$ -	\$ -	\$ 5,225,000	\$ 2,485,000	\$ 7,710,000
Transfers in	13,083	-	-	-	13,083
Transfers out	-	-	-	(13,083)	(13,083)
Total other financing sources (uses)	<u>\$ 13,083</u>	<u>\$ -</u>	<u>\$ 5,225,000</u>	<u>\$ 2,471,917</u>	<u>\$ 7,710,000</u>
Net Change in Fund Balance	<u>\$ (308,807)</u>	<u>\$ 236,852</u>	<u>\$ 129,472</u>	<u>\$ (1,554,233)</u>	<u>\$ (1,496,716)</u>
Fund balances - beginning	\$ 3,249,984	\$ 1,449,257	\$ 640,930	\$ 5,933,595	\$ 11,273,766
Restatements	54,348	464	-	16,596	71,408
Fund balances - beginning, restated	<u>\$ 3,304,332</u>	<u>\$ 1,449,721</u>	<u>\$ 640,930</u>	<u>\$ 5,950,191</u>	<u>\$ 11,345,174</u>
Fund balance - ending	<u>\$ 2,995,525</u>	<u>\$ 1,686,573</u>	<u>\$ 770,402</u>	<u>\$ 4,395,958</u>	<u>\$ 9,848,458</u>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

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

**Net change in fund balances - total governmental funds** \$ (1,496,716)

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 2,023,560  
- Depreciation expense (1,244,011)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue) 61,457

The change in compensated absences is shown as an expense in the Statement of Activities

(4,810)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments 9,550,000

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt (7,710,000)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability (636,125)

Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense.

(1,107,725)

**Change in net position - Statement of Activities** \$ (564,370)

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds Non-major Enterprise</b>	<b>Governmental Activities Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 81,485	\$ 1,235,655
Accounts receivable - net	137	-
Total assets	<u>\$ 81,622</u>	<u>\$ 1,235,655</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of compensated absences payable	\$ 262	\$ -
Total current liabilities	<u>\$ 262</u>	<u>\$ -</u>
Noncurrent liabilities:		
Noncurrent portion of compensated absences	\$ 3,470	\$ -
Total noncurrent liabilities	<u>\$ 3,470</u>	<u>\$ -</u>
Total liabilities	<u>\$ 3,732</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for other purposes	\$ 1,464	\$ -
Unrestricted	<u>76,426</u>	<u>1,235,655</u>
Total net position	<u>\$ 77,890</u>	<u>\$ 1,235,655</u>
Total liabilities and net position	<u>\$ 81,622</u>	<u>\$ 1,235,655</u>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Business-Type</u> <u>Activities -</u> <u>Enterprise Funds</u>	<u>Governmental</u> <u>Activities</u>
	<u>Non-major</u> <u>Enterprise</u>	<u>Internal Service</u> <u>Funds</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 248,706	\$ -
Miscellaneous revenues	49,930	3,267,632
Total operating revenues	<u>\$ 298,636</u>	<u>\$ 3,267,632</u>
<b>OPERATING EXPENSES</b>		
Personal services	\$ 201,567	\$ -
Employee benefits	15,470	3,771,545
Supplies	47,546	-
Purchased professional and technical services	25,040	96,344
Purchased property services	349	-
Other purchased services	3,345	-
Depreciation	510	-
Total operating expenses	<u>\$ 293,827</u>	<u>\$ 3,867,889</u>
Operating income (loss)	<u>\$ 4,809</u>	<u>\$ (600,257)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue	\$ 440	\$ -
Debt service interest expense	(221)	-
Resources transferred to other school districts or cooperatives	(23,870)	-
Total non-operating revenues (expenses)	<u>\$ (23,651)</u>	<u>\$ -</u>
Income (loss) before contributions and transfers	<u>\$ (18,842)</u>	<u>\$ (600,257)</u>
Change in net position	<u>\$ (18,842)</u>	<u>\$ (600,257)</u>
Net Position - Beginning of the year	\$ 95,385	\$ 2,343,379
Restatements	1,347	(507,467)
Net Position - Beginning of the year - Restated	<u>\$ 96,732</u>	<u>\$ 1,835,912</u>
Net Position - End of the year	<u>\$ 77,890</u>	<u>\$ 1,235,655</u>

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Cash Flows**  
**Proprietary Fund Types**  
**Fiscal Year Ended June 30, 2014**

	<b>Business - Type</b>	<b>Governmental</b>
	<b>Activities -</b>	<b>Activities</b>
	<b>Enterprise Funds</b>	<b>Self- Insurance</b>
	<b>Non-Major</b>	
	<b>Enterprise</b>	
<b>Cash flows from operating activities:</b>		
Cash received from providing services	\$ 265,339	\$ 3,267,632
Cash received from miscellaneous sources	49,930	-
Cash payments to suppliers	(76,280)	-
Cash payments for professional services	-	(96,344)
Cash payments to employees	(214,051)	(3,862,847)
Net cash provided (used) by operating activities	\$ 24,938	\$ (691,559)
<b>Cash flows from capital and related financing activities:</b>		
Interest paid on debt	\$ (221)	\$ -
Net cash provided (used) by capital and related financing activities	\$ (221)	\$ -
<b>Cash flows from non-capital financing activities:</b>		
Cash transferred to other school districts or cooperatives	\$ (23,870)	\$ -
Net cash provided (used) from non-capital financing activities	\$ (23,870)	\$ -
<b>Cash flows from investing activities:</b>		
Interest on investments	\$ 440	\$ -
Net cash provided (used) by investing activities	\$ 440	\$ -
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 1,287	\$ (691,559)
<b>Cash and cash equivalents at beginning</b>	\$ 80,198	\$ 2,463,406
<b>Restatements - Includes beginning restricted cash</b>		(536,192)
<b>Cash and cash equivalents at end</b>	\$ 81,485	\$ 1,235,655
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 4,809	\$ (600,257)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	510	-
Changes in assets and liabilities:		
Increase/decrease in accounts receivable	16,633	-
Increase in compensated absences	2,986	-
Decrease in accounts payable	-	(91,302)
Net cash provided (used) by operating activities	\$ 24,938	\$ (691,559)

See accompanying notes to the financial statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$	150,245	\$	1,627,171
Total assets	\$	<u>150,245</u>	\$	<u>1,627,171</u>
<b>LIABILITIES</b>				
Warrants payable	\$	-	\$	476,312
Due to others		-		1,150,859
Total liabilities	\$	<u>-</u>	\$	<u>1,627,171</u>
<b>NET POSITION</b>				
Assets held in trust	\$	<u>150,245</u>		

See accompanying Notes to the Financial Statements

**Belgrade Public Schools, Gallatin County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	<u>249,865</u>
Total contributions	\$	<u>249,865</u>
Investment earnings:		
Total additions	\$	<u>2</u> <u>249,867</u>
<b>DEDUCTIONS</b>		
Student activities	\$	<u>265,215</u>
Total deductions	\$	<u>265,215</u>
Change in net position	\$	<u>(15,348)</u>
Net Position - Beginning of the year	\$	165,593
Net Position - End of the year	\$	<u><u>150,245</u></u>

See accompanying Notes to the Financial Statements

BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 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.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

**Financial Reporting Entity**

*Primary Government*

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made to minimize the double-counting of business type activities.

BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A

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fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

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*General Fund* - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

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

*Elementary Debt Service Fund* – Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA.

***Proprietary Funds***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Private-purpose Trust Funds* – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

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*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds

*Student Extracurricular Activities Fund* – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

***Internal Service Funds***

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies for the government on a cost-reimbursement basis. The District maintains one internal service fund relating to self-insurance fund activity.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2014, consisted of certificates of deposit and U.S. government securities. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

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The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Gallatin County deposits and investments is available from Gallatin County Treasurer's office, 311 West Main, Room 306, Bozeman, Montana, 59715-4576. Fair value approximates carrying value for investments as of June 30, 2014. The Gallatin County investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

**Deposits**

The District's deposit balance at year end was \$149,981 and the bank balance was \$154,227. The District's deposits at year-end were fully insured by FDIC.

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the District as of June 30, 2014. These amounts are reported within the cash/investment account on the Combined Balance Sheet.

<u>Description</u>	<u>Amount</u>
Sinking Fund QSCB	\$ <u>408,705</u>

**NOTE 4. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

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 Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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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% a 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.

**NOTE 5. INVENTORIES**

Inventories are valued at cost using the First-in-First-out (FIFO) method.

The cost of inventories is recorded as an asset when purchased and recorded as an expenditure/expense when consumed.

**NOTE 6. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	30 – 50 years
Improvements	8 – 20 years
Equipment	5 – 15 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34 the government has elected not to retroactively report general infrastructure assets.

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A summary of changes in governmental capital assets was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 1,169,528	\$ 368,350	\$ -	\$ -	\$ 1,537,878
Construction in progress	11,534,148	149,647	(11,525,869)	-	157,926
Total capital assets not being depreciated	<u>\$ 12,703,676</u>	<u>\$ 517,997</u>	<u>\$ (11,525,869)</u>	<u>\$ -</u>	<u>\$ 1,695,804</u>
Other capital assets:					
Buildings	\$ 18,637,030	\$ 392,308	\$ 11,507,117	\$ -	\$ 30,536,455
Improvements other than buildings	12,494,136	528,524	18,752	(28,981)	13,012,431
Machinery and equipment	5,340,316	584,731	-	-	5,925,047
Intangibles	41,595	-	-	-	41,595
Total other capital assets at historical cost	<u>\$ 36,513,077</u>	<u>\$ 1,505,563</u>	<u>\$ 11,525,869</u>	<u>\$ (28,981)</u>	<u>\$ 49,515,528</u>
Less: accumulated depreciation	<u>\$ (16,466,599)</u>	<u>\$ (1,244,011)</u>	<u>\$ -</u>	<u>\$ 5230</u>	<u>\$ (17,705,380)</u>
Total	<u><u>\$ 32,750,154</u></u>	<u><u>\$ 779,549</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (23,751)</u></u>	<u><u>\$ 33,505,952</u></u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:

Instructional – regular	\$	31,571
Supporting services – operations and maintenance		596,645
Supporting services – educational media services		4,691
Administration – general		23,665
Student transportation		228,397
Extracurricular		8,184
School food		4,912
Unallocated		<u>345,946</u>
Total governmental activities depreciation expense	\$	<u><u>1,244,011</u></u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Other capital assets:			
Machinery and equipment	\$ 37,328	\$ -	\$ 37,328
Total other capital assets at historical cost	<u>\$ 37,328</u>	<u>\$ -</u>	<u>\$ 37,328</u>
Less: accumulated depreciation	<u>\$ (36,818)</u>	<u>\$ (510)</u>	<u>\$ (37,328)</u>
Total	<u><u>\$ 510</u></u>	<u><u>\$ (510)</u></u>	<u><u>\$ -</u></u>

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**NOTE 7. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 20,736,000	\$ 7,710,000	\$ (9,550,000)	\$ 18,896,000	\$ 1,120,000
Compensated absences	1,734,823	4,810	-	1,739,633	525,383
Other post-employment benefits*	3,199,888	636,125	-	3,836,013	-
Total	<u>\$ 25,670,711</u>	<u>\$ 8,350,935</u>	<u>\$ (9,550,000)</u>	<u>\$ 24,471,646</u>	<u>\$ 1,645,383</u>

\*See Note 8

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 746	\$ 2,986	\$ -	\$ 3,732	\$ 262
Total	<u>\$ 746</u>	<u>\$ 2,986</u>	<u>\$ -</u>	<u>\$ 3,732</u>	<u>\$ 262</u>

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2014 were as follows:

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<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
El QSCB School Building Bonds, 2011A	8/18/11	3.0-3.375%	10 yrs	6/15/28	\$ 2,316,000	Varies	\$2,316,000
El School Building Bonds, 2011B	8/18/11	2.0-3.7%	15 yrs	6/15/31	241,759	Varies	8,870,000
El School Refunding Bonds, Series 2014	3/19/14	2.0-3.0%	10 yrs	6/1/25	5,225,000	Varies	5,225,000
HS School Refunding Bonds, Series 2014	3/19/14	2.0-3.0%	10 yrs	6/1/25	<u>2,485,000</u>	Varies	<u>2,485,000</u>
					<u>\$10,267,759</u>		<u>\$ 18,896,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,120,000	\$ 504,535
2016	1,235,000	441,575
2017	1,265,000	412,675
2018	1,300,000	383,075
2019	1,325,000	352,625
2020	1,025,000	321,575
2021	1,060,000	290,825
2022	1,100,000	259,025
2023	1,135,000	231,275
2024	1,155,000	199,825
2025	1,190,000	165,175
2026	560,000	128,794
2027	580,000	110,594
2028	600,000	91,018
2029	620,000	70,018
2030	645,000	48,319
2031	665,000	24,938
Total	<u>\$ 16,580,000</u>	<u>\$ 4,035,866</u>

**Qualified School Construction Bonds (QSCB) – Tax Credit Bond**

On August 8, 2011, the qualified electors of the Belgrade School District authorized the issuance and sale of school building bonds in the principal amounts of up to \$2,316,000 for the purpose of payment of the costs of construction on a new school. The bonds are designated “Taxable General Obligation School Building Bonds, Series 2011 Qualified School Construction Bonds (Tax Credit Bonds)” and shall mature on June 15, 2028 in the principal amount of \$2,316,000, and shall bear interest at a rate of 0.00% per annum.

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To provide for the payment of the principal amount of the Bonds at maturity, the District, shall, on June 15 in each fiscal year, commencing on June 15, 2012 and ending on June 15, 2028, deposit with the Treasurer for credit to the Debt Service Account for the bonds a payment which, together with the investment earnings on the Debt Service Account on hand on such date, will equal the sinking fund payment for that fiscal year. Set forth in the following table is the future sinking fund payment schedule for the Bonds.

Fiscal <u>Year</u>	Sinking Fund <u>Payments</u>
2015	\$ 136,235
2016	136,235
2017	136,235
2018	136,235
2019	136,235
2020	136,235
2021	136,235
2022	136,235
2023	136,235
2024	136,235
2025	136,235
2026	136,235
2027	136,235
2028	<u>136,235</u>
Total	<u>\$ 1,907,290</u>

Pursuant to the Sinking Fund Agreement, the Treasurer will maintain the sinking fund payments, and investment earnings thereon, in a separate account within the Debt Service Account to be applied to the payment of the principal of the Bonds. As of June 30, 2014 the account balance of the sinking fund is \$408,705.

**Advance Refunding of Long-Term Debt (Year of Refunding)**

On March 19, 2014, the District issued \$7,710,000 in general obligation bonds with an average interest rate of 2.5% to advance refund \$7,988,488 of outstanding general obligation bonds with an average interest rate of 3.6%. The net proceeds of \$7,604,664 (after payment of underwriter fees, insurance, and other issuance costs totaling \$105,336) of the general obligation bond sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation bonds. As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

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The District advance refunded the bonds to reduce its total debt service payments over the next 12 years by approximately \$564,490 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$514,656.

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay. For certified staff a teacher receives thirteen days of sick leave and may accumulate up to one hundred and thirty (130) days of sick leave. The teacher will be reimbursed at the end of the school year for unused sick leave when the balance reaches 130 days.

The liability associated with governmental fund-type employees is reported in the governmental-type activities while the liability associated with the business-types activities/proprietary funds is reported as such.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The Belgrade School District Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by the Belgrade School District. It provides medical and dental insurance benefits to eligible retirees and their spouses.

Montana Codes Annotates Section 2-18-704 allows members who retire from service to pay medical and dental benefits through the government's plan at the same premium as active members.

*Funding Policy.* The contribution requirements of plan members and the State are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements.

*Funding Status and funding Progress.* The funded status of the plan as of June 30, 2014, was as follows:

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Actuarial Accrued Liability (AAL)	\$ 6,405,281
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,405,281</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 15,769,776
UAAL as a percentage of covered payroll	41%

*Annual OPEB Cost and Net OPEB Obligation.* The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 631,847
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>\$ 631,847</u>
Contributions made	-
Increase in net OPEB obligation	<u>\$ 631,847</u>
Net OPEB obligation - beginning of year	3,199,888
Net OPEB obligation - end of year	<u><u>\$ 3,836,013</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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The actuarial funding method used to determine the cost of the Belgrade School District Employee Group Benefits Plan is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortizations schedule.

The actuarial assumptions included a:

4.25%	Investment/discount rate
2.50%	Projected payroll increases
45%	Of future retirees are assumed to elect medical coverage
41.8%	Of future retirees are assumed to elect dental coverage
40.3%	Of future retirees are assumed to elect vision coverage
70%	Of future retirees who elect medical, dental or vision coverage and are married are assumed to elect spousal coverage as well

The actuarial assumptions also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2021</u>
Medical	9%	5.0%
Prescription drugs	9%	5.0%
Dental	8%	5.0%
Vision	4%	4.0%

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

The following is an analysis of operating transfers in and out during Fiscal Year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Per 20-9-509 MCA	Elementary General – Major Governmental	Elementary Lease/Rental – Nonmajor Governmental	\$ 1,757
Transfer from Compensated Absences	Elementary General – Major Governmental	Elementary Compensated Absences – Nonmajor Governmental	7,894
Per 20-9-509 MCA	High School General – Major Governmental	High School Lease/Rental – Nonmajor Governmental	<u>3,432</u>
			<u>\$ 13,083</u>

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**NOTE 10. STATE-WIDE RETIREMENT PLANS**

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

\* For PERS members hired prior 7/1/2011 that rate is 6.90%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

BELGRADE PUBLIC SCHOOLS  
GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

	<u>PERS</u>	<u>TRS</u>	
2012	\$ 210,703	\$ 969,750	
2013	\$ 230,086	\$ 1,065,806	
2014	\$ 266,248	\$ 1,104,151	

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

The government considers restricted amounts to have been spend first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All other aggregate	\$ <u>89,229</u>	School food inventory

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Elementary Miscellaneous programs	\$ 1,686,573	Third party grantor restrictions
Elementary Debt service	770,402	Debt service
All other aggregate:		
	300,409	Student transportation
	1,396,150	Capital projects
	197,476	School food
	11,201	Instructional - student services
	752,494	Employer retirement benefits
	20,000	Operations & maintenance
	304,293	Debt service
	933,709	Educational media services
	207,150	Community services
	12,335	Third party grantor restrictions
	41,970	Instructional - adult education
	<u>129,542</u>	Instructional - regular
Total	\$ <u>6,763,704</u>	

BELGRADE PUBLIC SCHOOLS  
 GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**Other Significant Commitments**  
 Encumbrances

<u>Fund</u>	<u>Amount of</u> <u>Encumbrance</u>
General	<u>\$ 179,310</u>

**NOTE 12. RESTATEMENTS**

During the current fiscal year, the following significant adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 54,348	Prior period revenue adjustments
Elementary Building Reserve	10,060	Prior period revenue adjustments
High School Self Insurance – Health	(507,467)	Prior period adjustment for contributions related to error in transfers to the payroll fund
Governmental Activities	(23,751)	Capital assets adjustments

**NOTE 13. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The school district has entered into an Interlocal agreement with the City of Belgrade for the purpose of maintaining the soccer and softball fields. The school district will maintain the park and the city will provide water and sewer services.

**NOTE 14. RISK MANAGEMENT**

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BELGRADE PUBLIC SCHOOLS  
 GALLATIN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

Self Insurance

The District provides medical insurance coverage for its employees via a partially self-insured plan administered by Montana Unified School Trust. It provides medical, dental, and vision benefits and is operated as an Internal Service Fund. In addition, a partially self-insured plan, administered by Actuaries Northwest, is provided to reduce deductible and out-of-pocket medical expenses is also accounted for in the Internal Service Fund Rates and determined in consultation with the District's insurance consultant.

Claims payable, June 30, 2013	\$	69,732
Claims incurred		3,138,517
Claims paid		<u>(3,208,249)</u>
Claims payable, June 30, 2014	\$	<u><u>-</u></u>

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Belgrade Public Schools, Gallatin County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 6,195,397	\$ 6,195,397	\$ 5,741,989	\$ (453,408)
State revenue	13,935,067	13,935,067	13,935,065	(2)
Amounts available for appropriation	\$ 20,130,464	\$ 20,130,464	\$ 19,677,054	\$ (453,410)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 10,869,480	\$ 10,869,480	\$ 9,657,061	\$ 1,212,419
Instructional - special education	1,310,903	1,310,903	1,342,244	(31,341)
Instructional - vocational education	-	-	499,820	(499,820)
Supporting services - operations & maintenance	2,426,493	2,426,493	2,714,359	(287,866)
Supporting services - general	1,115,367	1,115,367	1,362,512	(247,145)
Supporting services - educational media services	1,240,423	1,240,423	1,085,289	155,134
Administration - general	213,084	213,084	134,062	79,022
Administration - school	1,573,009	1,573,009	1,536,336	36,673
Administration - business	886,938	886,938	873,483	13,455
Student transportation	-	-	11,627	(11,627)
Extracurricular	430,363	430,363	412,698	17,665
School food	54,214	54,214	33,332	20,882
Community services	-	-	1,047	(1,047)
Capital outlay	10,190	10,190	400,764	(390,574)
Total charges to appropriations	\$ 20,130,464	\$ 20,130,464	\$ 20,064,634	\$ 65,830
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 13,083	\$ 13,083
Total other financing sources (uses)	\$ -	\$ -	\$ 13,083	\$ 13,083
Net change in fund balance			\$ (374,497)	
Fund balance - beginning of the year			\$ 2,433,018	
Restatements			54,348	
Fund balance - beginning of the year - restated			\$ 2,487,366	
<b>Fund balance - end of the year</b>			\$ 2,112,869	

**Belgrade Public Schools, Gallatin County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<b>General</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 19,677,054
Combined funds (GASBS 54) revenues	74,188
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ 19,751,242
<b>Uses/Outflows of resources</b>	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 20,064,634
Combined funds (GASBS 54) expenditures	3,020
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	
- Encumbrances reported at the beginning of the year	184,787
- Encumbrances reported at the end of the year	(179,309)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 20,073,132

**Note B**

**The Elementary Miscellaneous Programs fund is a major special revenue fund in which a leagally adopted budget is not required**

**Belgrade Public Schools**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Actuarial Accrued Liability (AAL) (UAAL) (b-a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 5,876,464	\$ 5,876,464	\$ 5,876,464	0%	\$ 19,207,875	30.6%
July 1, 2011	\$ -	\$ 7,351,005	\$ 7,351,005	\$ 7,351,005	0%	\$ 18,541,552	39.6%
July 1, 2013	\$ -	\$ 6,405,281	\$ 6,405,281	\$ 6,405,281	0%	\$ 15,769,776	40.6%

Changes in plan provisions

Effective July 1, 2011

- Comprehensive Lifetime Maximum has been removed
- Preexisting Condition Waiting Period has been waived
- The definition of eligible dependent has changed
- Fully-covered In-Network Preventive Benefits has been implemented

# **SUPPLEMENTAL INFORMATION**

**Belgrade Public Schools  
Gallatin County, Montana  
SCHEDULE OF ENROLLMENT  
For the Fiscal Year Ended June 30, 2014**

**Fall Enrollment - October, 2013**

**Elementary School District**

	<b>FALL</b>		
	<b>Per Enrollment</b>	<b>Audit Per</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten Full	291	291	0
Kindergarten Part	0	0	0
Grades 1-6	1,575	1,575	0
Grades 7-8	428	428	0
Total Elementary	2,294	2,294	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	2	0	0	0	2	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	3	0	0	0	3	0

**High School District**

	<b>FALL</b>		
	<b>Per Enrollment</b>	<b>Audit Per</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Grades 9-12	854	854	0
19 year-olds	1	1	0
Job Corps students	4	4	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	1	4	0	0	1	4	0

**Belgrade Public Schools**  
**Gallatin County, Montana**  
**SCHEDULE OF ENROLLMENT - Continued**  
**For the Fiscal Year Ended June 30, 2014**

**Winter Enrollment - December, 2013**

**Elementary School District**

	<b>WINTER</b>		
	<b>Per Enrollment</b>	<b>Audit Per</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten Full	291	291	0
Kindergarten Part	0	0	0
Grades 1-6	1,579	1,579	0
Grades 7-8	430	430	0
<b>Total Elementary</b>	<b>2,300</b>	<b>2,300</b>	<b>0</b>

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	2	0	0	0	2	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	3	0	0	0	3	0

**High School District**

	<b>WINTER</b>		
	<b>Per Enrollment</b>	<b>Audit Per</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Grades 9-12	844	844	0
19 year-olds	1	1	0
Job Corps students	0	0	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	1	4	0	0	1	4	0

**Belgrade Public Schools  
Gallatin County, Montana  
SCHEDULE OF ENROLLMENT - Continued  
For the Fiscal Year Ended June 30, 2014**

**Spring Enrollment - February, 2014**

**Elementary School District**

	<b>SPRING</b>	<b>Audit Per</b>	<b>Difference</b>
	<b>Per Enrollment</b>	<b>District Records</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten - Full	291	291	0
Kindergarten - Part	0	0	0
Grades 1-6	1,574	1,574	0
Grades 7-8	427	427	0
Total Elementary	2,292	2,292	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	2	0	0	0	2	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	4	0	0	0	4	0

**High School District**

	<b>SPRING</b>	<b>Audit Per</b>	<b>Difference</b>
	<b>Per Enrollment</b>	<b>District Records</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Grades 9-12	828	828	0
19 year-olds	0	0	0
Early Graduates	17	17	0
Job Corps students	4	4	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	1	2	3	0	1	2	3	0

Belgrade Public Schools  
Gallatin County, Montana  
EXTRACURRICULAR FUND - ELEMENTARY  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Ending <u>Balance</u>
<b>Heck Quaw Elementary:</b>				
Heck Library Council	\$ 4,552	\$ 7	\$ -	\$ 4,559
Heck Main Activity Account	9,085	2,749	6,212	5,622
<b>Ridgeview Elementary:</b>				
Activity Account	11,579	643	4,290	7,932
Library	1	-	-	1
Playground	1,510	1	-	1,511
<b>Belgrade Intermediate:</b>				
Band	7	-	-	7
Challenge and Achieve	387	-	-	387
Destination Imagination	16	-	-	16
Program Account	2,538	-	214	2,324
<b>Belgrade Middle School:</b>				
Art	738	-	-	738
Athletics	1,428	8,808	9,036	1,200
Class of 2017	2,620	10	2,630	-
Class of 2018	891	5,432	5,182	1,141
Class of 2019	-	2,541	1,494	1,047
Class of 2020	-	2,155	2,140	15
Curtis Memorial	346	-	-	346
Library	128	40	40	128
Music	152	-	-	152
Programs	7,390	9,055	10,194	6,251
Science	259	-	-	259
Student Council	52	-	-	52
TIP	551	-	-	551
<b>Saddle Peak Elementary:</b>				
Main Activity Account	-	11,306	941	10,365
Total	\$ <u>44,230</u>	\$ <u>42,747</u>	\$ <u>42,373</u>	\$ <u>44,604</u>

Belgrade Public Schools  
Gallatin County, Montana  
EXTRACURRICULAR FUND HIGH SCHOOL  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
Adult education funds	\$ 56	\$ -	\$ -	\$ -	\$ 56
Alternative school student fund	827	-	-	-	827
Annual	6,316	27,852	25,735	-	8,433
Art club	673	-	94	-	579
Athletics	35,912	63,658	3,417	(69,608)	26,545
Athletics - boys basketball	-	-	6,764	6,764	-
Athletics - boys track	-	-	3,017	3,017	-
Athletics - cross country	-	66	3,400	3,334	-
Athletics - football	-	-	8,474	8,474	-
Athletics - girls basketball	-	831	6,762	5,931	-
Athletics - girls track	-	-	3,017	3,017	-
Athletics - golf	-	-	1,944	1,944	-
Athletics - soccer	-	-	7,159	7,159	-
Athletics - softball	-	958	6,935	6,037	60
Athletics - volleyball	-	225	9,388	9,163	-
Athletics - wrestling	-	75	10,182	10,107	-
B-club	-	-	-	-	-
Band	(642)	568	1,635	1,067	(642)
Bood deposit	-	-	-	-	-
BPA	713	-	3,347	3,500	866
Carpentry	2,420	2	-	-	2,422
Cheerleaders	-	4,869	6,020	1,151	-
Choir	2,174	11,595	8,759	(925)	4,085
Class of 2011	1,468	-	1,468	-	-
Class of 2012	17	-	-	-	17
Class of 2013	4,032	643	64	(640)	3,971
Class of 2014	4,891	2,666	9,437	1,880	-
Class of 2015	2,520	4,654	2,307	-	4,867

Belgrade Public Schools  
Gallatin County, Montana  
EXTRACURRICULAR FUND HIGH SCHOOL  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS - Continued**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Class of 2016	\$ 3,363	\$ -	\$ -	\$ -	\$ 3,363
Class of 2017	-	2,630	-	-	2,630
Close-up	3,456	-	-	(940)	2,516
Computer club	58	-	-	-	58
FCCLA	1,168	2,034	4,037	-	(835)
FFA	6,220	16,810	19,912	30	3,148
French club	4,026	12,941	9,450	-	7,517
HOSA	499	500	47	-	952
Key club	830	4,027	4,618	670	909
Library club	(5)	-	-	-	(5)
MTI	3,824	-	-	-	3,824
NHS	4,345	11,794	14,427	-	1,712
Pay schools	657	1	-	-	658
Pep bus	2,169	2	-	-	2,171
Pro-start	14,605	2,693	16,219	1,126	2,205
Reimbursements	-	-	-	-	-
Robotics	251	2,161	2,035	-	377
Schools store	2,463	13,076	7,477	(3,500)	4,562
Sewing for profit	190	-	-	-	190
Shop	60	-	-	-	60
Ski club	299	-	-	-	299
Spanish club	3,033	1,469	446	-	4,056
Speech/drama/debate	(5,975)	3,611	4,811	1,202	(5,973)
Student council	2,805	5,916	5,341	-	3,380
Sustainability club	4,456	753	233	-	4,976
Theater	6,927	8,038	4,465	40	10,540
Tournament	1	-	-	-	1
<b>Total</b>	<b>\$ <u>121,102</u></b>	<b>\$ <u>207,118</u></b>	<b>\$ <u>222,843</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>105,377</u></b>

# **SINGLE AUDIT SECTION**

**Belgrade Public School, Gallatin County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditure June 30, 2014</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Montana Office of Public Instruction:</i>			
School Breakfast Program	10.553	N/A	\$ 107,316
National School Lunch Program	10.555	N/A	447,479
National School Lunch Program -Food Distribution (Commodities)	10.555	N/A	17,015
Child and Adult Food Program - After School Snack	10.558	N/A	10,785
<b>Total U.S. Department of Agriculture</b>			<b>\$ 582,595</b>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Montana Office of Public Instruction:</i>			
Title I, Part A	84.010	016-0368-3113	\$ 232
Title I, Part A	84.010	16-0368-3114	526,672
IDEA, Part B	84.027	016-0368-7713	95
IDEA, Part B	84.027	016-0368-7714	499,515
Carl Perkins	84.048	016-0369-8114	25,496
Carl Perkins	84.048	016-0368-8113	85
IDEA, Preschool	84.173	016-0368-7914	11,463
Title II, Part A	84.367	016-0368-1414	111,577
<b>Total U.S. Department of Education</b>			<b>\$ 1,175,135</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,757,730</b>

N/A = Not Applicable or Not Available

BELGRADE PUBLIC SCHOOLS

GALLATIN COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2014

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Belgrade Public Schools, Gallatin County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

*Value of Federal Awards Expended in the form of Noncash Assistance*

- *Food Commodities (value equals the fair value at the assessed value provided by the federal agency)*

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901*

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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  
Belgrade Public Schools  
Gallatin County  
Belgrade, 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, business-type activities, each major fund, and the aggregate remaining fund information of Belgrade Public Schools, Gallatin County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Belgrade Public Schools' basic financial statements and have issued our report thereon dated February 24, 2015.

**Internal Control Over Financial Reporting**

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

*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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain

deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as item14-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Belgrade Public Schools's financial statements are free of 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*.

### **Belgrade Public School's Response to Findings**

Belgrade public School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Belgrade Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Derrington, Downey and Associates, CPA's, P.C.*

February 24, 2015

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Belgrade Public Schools  
Gallatin County  
Belgrade, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Belgrade Public Schools, Gallatin County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Belgrade Public Schools' major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Belgrade Public Schools, Gallatin County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Belgrade Public Schools, Gallatin County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of Belgrade Public Schools, Gallatin County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 14-2 that we consider to be significant deficiencies.

Belgrade Public Schools, Gallatin County, Montana's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Belgrade Public Schools, Gallatin County, Montana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Denning, Downey and Associates, CPAs, P.C.*

February 24, 2015

BELGRADE PUBLIC SCHOOLS

GALLATIN COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2014

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	Yes
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A
10.553,10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 14-1 High School Student Activity Internal Control

**Condition:**

The following weaknesses were noted in the receipting internal controls related to the High School Student Activity:

1. Gate receipts did not include the signature of the supervisory personnel.

**Context:**

While reviewing internal controls over student activities we selected two deposits to test. We noted weaknesses in internal controls over gate receipts.

**Criteria:**

Internal control procedures should include adequate support for all receipts.

**Effect:**

A weakness in controls was noted.

**Cause:**

The supervisory personnel were not completing the cash reconciliation review and indicating by signature, the ticket takers were not required to count and approve the cash received.

**Recommendation:**

Supervisory personnel should verify the cash collection and reconciliation of the gate receipts and indicate by signature. Ticket takers should count and sign that the cash received in the bag as the money is picked up for the game.

**Views of Responsible Officials and Planned Corrective Action:**

Belgrade School District will revise its existing gate receipt control to include the conditions above.

### Section III – Federal Award Findings and Questioned Costs

#### 14-2 Title I Payroll Expenditure Internal Control

**CFDA Title: Title I**

**CFDA Number: 84.010A**

**Federal Award Number: 016-0368-3114**

**Federal Agency: U.S. Department of Education**

**Pass-through Entity: Montana Office of Public Instruction**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Condition:**

During our testing of payroll expenditures for Title I two employees were charged to Title I in error and we noted two employees who should have been charged to Title I.

### **Criteria:**

Internal control should be in place to ensure all and only Title I employees are charged to the grant.

### **Context:**

A sample of employees charged to the grant was chosen. A listing of employees working in Title I was obtained from Title I administrative staff. A comparison of the two listings indicated the coding errors.

### **Effect:**

The net effect of the understatement and overstatement of personal services costs indicated approximately \$28,000 could have been charged to the grant.

### **Cause:**

The payroll coding for staff does not appear to have been properly updated.

### **Recommendation:**

The District should implement internal control procedures to ensure all and only Title I employees are charged to the grant.

### **Views of Responsible Officials and Planned Corrective Action:**

A review of employees coded to Title I will occur at the beginning of each school year to ensure proper payroll expenditures.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Belgrade Public Schools  
Gallatin County  
Belgrade, Montana

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
High School Student Activity	Repeated
Internal Control	
Payroll Fund Reconciliation	Implemented

*Denning, Downey and Associates, CPA's, P.C.*

February 24, 2015