

**BELT SCHOOL DISTRICT
NUMBER 29 AND 29D
CASCADE COUNTY**

BELT, MONTANA

**FINANCIAL STATEMENTS
AS OF
JUNE 30, 2014**

Our reports are issued with the understanding that, without our consent, they may be reproduced only in their entirety. Should it be desired to issue or publish a condensation or a portion of this report and our name is to be used in connection therewith, our approval must first be secured.

Douglas Wilson & Company, P.C.

TABLE OF CONTENTS

ORGANIZATION3

INDEPENDENT AUDITOR'S REPORT4-6

MANAGEMENT'S DISCUSSION AND ANALYSIS7-9

STATEMENT OF NET POSITION AS OF JUNE 30, 2014 (WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013) 10

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013) 11

BALANCE SHEET - GOVERNMENT FUNDS AS OF JUNE 30, 2014 12

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENT FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2014 13

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENT FUNDS FOR THE YEAR ENDED JUNE 30, 2014 14

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 15

STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION AS OF AND FOR THE YEAR ENDED JUNE 30, 2014 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014 17-29

REQUIRED SUPPLEMENTARY INFORMATION:

 SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL ELEMENTARY DEBT SERVICE, ELEMENTARY AND HIGH SCHOOL GENERAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014 30

 NOTES TO BUDGET AND ACTUAL SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014 31

OTHER POST EMPLOYMENT BENEFITS PLAN - RETIREE HEALTH INSURANCE SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2014 32

TABLE OF CONTENTS (Continued)

SUPPLEMENTARY INFORMATION:

SCHEDULE OF ENROLLMENT FOR THE YEAR ENDED JUNE 30, 2014.....	33
ELEMENTARY AND HIGH SCHOOL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - EXTRACURRICULAR FUNDS FOR THE YEAR ENDED JUNE 30, 2014	34
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 <i>GOVERNMENT AUDITING STANDARDS</i>	35-36
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2014.....	37-40
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES JUNE 30, 2014	41-43

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY**

BELT, MONTANA

ORGANIZATION

BOARD OF TRUSTEES

Mr. Scott Meissner	Chairman
Mr. Chad Stroop	Vice-Chairman
Mr. Jon J. Hepfner	Trustee
Mr. John Metrione	Trustee
Ms. Cindy McCafferty	Trustee

OFFICIALS

Ms. Kathleen Prody	District Superintendent
Mr. Kyle Paulson	District Principal
Ms. Nona Coughlan	District Clerk
Ms. Jamie Bailey	County Superintendent
Mr. John Parker	County Attorney



Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

To the Board of Trustees
Belt School District Number 29 and 29D
Cascade County
Belt, Montana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belt School District Number 29 and 29D, Cascade County, Belt, Montana (the "District"), 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belt School District Number 29 and 29D, Cascade County, Belt, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 9, the budgetary comparison information on page 30, and the Schedule of Funding Progress on page 32 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 school district enrollment on page 33 and the schedule of revenues, expenditures, and changes in fund balances by student activity for the extracurricular funds on page 34 are presented for purposes of additional analysis as required by the State of Montana, and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of school district enrollment and schedule of revenues, expenditures, and changes in fund balances by student activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior Year Summarized Information

The 2013 summarized comparative information has been derived from the District's 2013 financial statements, and, in our report dated August 26, 2014, we expressed an unmodified opinion on those financial statements. The summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, on our consideration of the District'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 the District's internal control over financial reporting and compliance.



Great Falls, Montana
June 8, 2015

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

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

This discussion and analysis is an overview of the District's financial activities for the fiscal year ending June 30, 2014. It is intended to be viewed in conjunction with the District's financial statements for the same fiscal year.

FINANCIAL HIGHLIGHTS

The District's 2014 financial position remained relatively stable, with a decrease in assets of \$(36,962), a decrease in liability amounts of \$(188,935) an increase in revenues of \$97,379 and an increase in expenditures of \$64,491.

USE OF THIS ANNUAL REPORT

This annual report consists of financial statements of the District as a whole, with more detailed information for specific District funds. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the District as a whole and present a long-term view of the District's finances, including capital assets and long-term liabilities.

The financial statement of funds presents a short-term view of the District's activities. It includes anticipated current assets and liabilities. Generally accepted accounting principles require that major funds be disclosed in the District's financial statements. These statements provide detailed information about the District's General Fund and Elementary Debt Service Fund, which are identified as major funds. Also included are financial reports of the Student Activity Funds as overseen by the District.

THE DISTRICT AS A WHOLE

The District's government-wide financial statement defines the overall stability of the District. This statement includes all District assets and liabilities using the accrual basis of accounting.

A change in net position over time is an indicator of the District's financial health; however, other non-financial factors also have a significant effect on the District. The Belt School Elementary District experienced a small growth in enrollment over the past three years resulting in an increase in ANB funding; however, enrollment in the high school district continues to decline. Although the District did experience an increase in funding due to ANB and legislation, the increased operating costs have nearly exceeded the gain without increases in certified salary and that trend continues into 2015-2016. We anticipate that utilities will double due to the addition of water meters to our building. Fuel prices continue to rise which strains our heating and travel budgets. Inadequate state funding leaves the District reliant on local levies and prudent use of recovered protested taxes to meet funding needs. In addition, the district is facing a significant cost in January of 2016 to provide insurance for classified staff to be in compliance with the Affordable Care Act. Despite the financial challenges facing the District, the District continues to maintain quality instructional programs and to provide research based professional development through careful financial planning.

Changes in the District's net position as reported on the Statement of Activities are \$13,213 for the school year ending June 30, 2014.

The District's net position is as follows:

District Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 1,049,788	\$ 1,160,331	\$ (110,543)	(10)%
Capital Assets-Net	1,997,032	1,923,451	73,581	4%
Total Assets	<u>3,046,820</u>	<u>3,083,782</u>	<u>(36,962)</u>	<u>(1)%</u>
Deferred Outflow of Resources	8,384	16,768	(8,384)	(50)%
Current Liabilities	263,811	244,301	19,510	8%
Non-Current Liabilities	374,583	583,028	(208,445)	(36)%
Total Liabilities	<u>638,394</u>	<u>827,329</u>	<u>(188,935)</u>	<u>(23)%</u>
NET POSITION	<u>\$ 2,416,810</u>	<u>\$ 2,273,221</u>	<u>\$ 143,589</u>	<u>6%</u>

Net Position Includes:

Net Investment in Capital Assets	\$ 1,635,416	\$ 1,395,219	\$ 240,197	17%
Restricted	467,510	541,631	(74,121)	(14)%
Unrestricted	313,884	336,371	(22,487)	(7)%
NET POSITION	<u>\$ 2,416,810</u>	<u>\$ 2,273,221</u>	<u>\$ 143,589</u>	<u>6%</u>

District Program Revenues:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Federal Program Revenue	\$ 317,506	\$ 394,181	\$ (76,675)	0%
Special Education	50,164	49,662	502	1%
State/County Transportation	83,224	87,648	(4,424)	(5)%
Sale of Meals/Other Fees	77,576	86,400	(8,824)	(10)%
Total Program Revenue	<u>\$ 528,470</u>	<u>\$ 617,891</u>	<u>\$ (89,421)</u>	<u>(14)%</u>

District General Revenues:

General Revenues				
District Property Taxes	\$ 1,609,568	\$ 1,279,358	\$ 330,210	26%
County Property Taxes	306,539	452,574	(146,035)	(32)%
State Revenue	1,373,841	1,368,750	5,091	0%
Investment Earning/Other	4,606	7,072	(2,466)	(35)%
Total General Revenue	<u>3,294,554</u>	<u>3,107,754</u>	<u>186,800</u>	<u>6%</u>
Total Program Revenue	<u>528,470</u>	<u>617,891</u>	<u>(89,421)</u>	<u>(14)%</u>
Total Revenue	<u>\$ 3,823,024</u>	<u>\$ 3,725,645</u>	<u>\$ 97,379</u>	<u>3%</u>

District Expenses:

Expenditures	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Instruction	\$ 1,586,065	\$ 1,865,752	\$ (279,687)	(15)%
General Administration	262,987	174,746	88,241	50%
School Administration	154,223	120,478	33,745	28%
Business	57,040	64,728	(7,688)	(12)%

District Expenses (Continued) :

Expenditures	2014	2013	Change	%
Operation and Maintenance	352,210	298,298	53,912	18%
Special Education	110,064	100,220	9,844	10%
Transportation	219,249	236,903	(17,654)	(7)%
Retirement and Insurance	525,430	311,606	213,824	69%
Extracurricular	186,159	173,606	12,553	7%
School Food	175,156	218,954	(43,798)	(20)%
Interest and Fiscal Charges	31,334	37,851	(6,517)	(17)%
Unallocated Depreciation	59,894	52,178	7,716	15%
Total Expenditures	3,719,811	3,655,320	64,491	2%
Less: Program Revenues	528,470	617,891	(89,421)	(14)%
Net Expenses	3,191,341	3,037,429	153,912	5%
Less: General Revenues	3,294,554	3,107,754	186,800	6%
	103,213	70,325	32,888	47%
Transfers Out	(90,000)	-	(90,000)	
Change in Net Position	\$ 13,213	\$ 70,325	\$ (57,112)	

FUND FINANCIAL STATEMENTS

The District's fund financial statements provide detailed information about the major funds of the District. Major funds are defined as the general fund and other funds where assets, liabilities, revenues or expenditures exceed 10% of the total governmental fund amounts.

Total governmental fund balances decreased by (\$113,869) in 2014 as compared to the government-wide increase in net position of \$13,213. The primary reasons for the difference are 1) recording depreciation expense in the government-wide statement, 2) reporting principal payments on bonds as expenditures in the governmental funds statement, but as a reduction of bond principal in the government wide statement, 3) recording the decrease in compensated absences and termination benefits payable as an expense in the government-wide statement, and 4) recording the refunding bond costs and amortization as assets and expenditures in the governmental funds statement.

THE DISTRICT'S OUTLOOK

The District's financial outlook for 2015-2016 continues to be cautiously optimistic. Enrollment has increased over the past three years and the legislature has increased the basic entitlement; however, the slight increases have not kept pace with the increased costs of operating the District. Transportation and heating costs have increased significantly creating a need to implement cuts to cover fuel costs. The city is completing the process of putting water meters on the facilities and we project that our water and sewage costs will double within the year. In addition, it is becoming increasingly difficult to provide cost of living increases for all employees; therefore, employees are experiencing diminished earnings despite modest increases in salary. Insurance costs increased by 13% from FY2014 to FY2016 in addition to the significant cost of insurance for classified staff.

The Elementary District increased FTE in 2014-2015 in order to meet student population needs and will maintain that increase in 2015-2016. Although increased student population required additional staffing, the ANB generated does not fully cover the positions. Overall, the District will be able to maintain current staffing levels and will not cut programs. The District will continue to defer maintenance in non-critical areas.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**STATEMENT OF NET POSITION
JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013)**

ASSETS	<u>6/30/14</u>	<u>6/30/13</u>
Current Assets:		
Cash and Cash Equivalents	\$ 945,447	\$ 1,059,316
Property Taxes Receivable	104,341	101,015
Total Current Assets	<u>1,049,788</u>	<u>1,160,331</u>
Capital Assets:		
Land	-	3,513
Land Improvements	38,864	38,864
Buildings and Improvements	3,654,638	3,609,629
Machinery and Equipment	762,748	634,248
Less: Accumulated Depreciation	(2,459,218)	(2,362,803)
Capital Assets - Net	<u>1,997,032</u>	<u>1,923,451</u>
Total Assets	<u>3,046,820</u>	<u>3,083,782</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Bond Issuance Costs	<u>8,384</u>	<u>16,768</u>
 LIABILITIES		
Current Liabilities:		
Compensated Absences Payable	40,578	32,902
Termination Benefits Payable	38,233	36,399
Current Portion of Long-Term Debt	185,000	175,000
Total Current Liabilities	<u>263,811</u>	<u>244,301</u>
Noncurrent Liabilities:		
Compensated Absences Payable	141,976	127,188
Termination Benefits Payable	31,070	69,303
Other Postemployment Benefits	16,537	16,537
Bonds Payable	185,000	370,000
Total Noncurrent Liabilities	<u>374,583</u>	<u>583,028</u>
Total Liabilities	<u>638,394</u>	<u>827,329</u>
 NET POSITION		
Net Investment in Capital Assets	1,635,416	1,395,219
Restricted	467,510	541,631
Unrestricted	313,884	336,371
Total Net Position	<u>\$ 2,416,810</u>	<u>\$ 2,273,221</u>

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013)**

	Expenses	Program Revenue		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets 6/30/14	Revenue and Change in Net Assets 6/30/13
				Government Operations	Government Operations
Government Operations					
Instruction	\$ (1,586,065)	\$ 4,600	\$ 228,234	\$ (1,353,231)	\$ (1,557,180)
General Administration	(262,987)	-	-	(262,987)	(174,746)
School Administration	(154,223)	-	-	(154,223)	(120,478)
Business	(57,040)	-	-	(57,040)	(64,728)
Operation & Maintenance	(352,210)	1,000	-	(351,210)	(297,198)
Special Education	(110,064)	-	50,164	(59,900)	(50,558)
Transportation	(219,249)	-	83,224	(136,025)	(149,255)
Retirement & Insurance	(525,430)	-	-	(525,430)	(311,606)
Extracurricular	(186,159)	-	-	(186,159)	(173,606)
School Food	(175,156)	71,976	89,272	(13,908)	(48,045)
Interest and Fiscal Charges	(31,334)	-	-	(31,334)	(37,851)
Depreciation-Unallocated	(59,894)	-	-	(59,894)	(52,178)
Totals	<u>\$ (3,719,811)</u>	<u>\$ 77,576</u>	<u>\$ 450,894</u>	<u>(3,191,341)</u>	<u>(3,037,429)</u>
General Revenues:					
District Tax Levies				1,609,568	1,279,358
Other District Revenue				3,669	4,714
County Distribution - Retirement				306,539	452,574
State Equalization				996,228	953,108
State Guaranteed Tax Base Subsidy				187,120	222,115
State Block Grant				86,928	92,876
Other State Revenue				103,565	100,651
Investment Earnings				937	2,358
Total General Revenues				<u>3,294,554</u>	<u>3,107,754</u>
Transfers Out - Multidistrict Agreement				<u>(90,000)</u>	<u>-</u>
Change in Net Position				<u>13,213</u>	<u>70,325</u>
Net Position, Beginning of Year, as previously stated				2,273,221	2,202,896
Restatement				<u>130,376</u>	<u>-</u>
Net Position, Beginning of Year, as restated				<u>2,403,597</u>	<u>2,202,896</u>
Net Position, End of Year				<u>\$ 2,416,810</u>	<u>\$ 2,273,221</u>

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**BALANCE SHEET
GOVERNMENT FUNDS
AS OF JUNE 30, 2014**

	<u>Major Funds</u>			<u>Total Government Funds</u>
	<u>General Fund</u>	<u>Elementary Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	
ASSETS				
Cash and Cash Equivalents	\$ 245,798	\$ 30,354	\$ 669,295	\$ 945,447
Property Taxes Receivable	67,023	10,912	26,406	104,341
Total Assets	<u>\$ 312,821</u>	<u>\$ 41,266</u>	<u>\$ 695,701</u>	<u>\$ 1,049,788</u>
LIABILITIES				
Liabilities:				
Other Current Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Tax Revenue	\$ 67,023	\$ 10,913	\$ 26,405	\$ 104,341
Fund Balances:				
Restricted for:				
Instruction	-	-	114,902	114,902
School Administration	-	-	11,021	11,021
Student Transportation	-	-	342,659	342,659
Food Services	-	-	45,086	45,086
Capital Projects	-	-	2,330	2,330
Debt Service	-	30,353	23,809	54,162
Retirement	-	-	129,489	129,489
Unassigned	245,798	-	-	245,798
Total Fund Balances	<u>245,798</u>	<u>30,353</u>	<u>669,296</u>	<u>945,447</u>
Total Deferred Inflows of Resources, Liabilities and Fund Balances	<u>\$ 312,821</u>	<u>\$ 41,266</u>	<u>\$ 695,701</u>	<u>\$ 1,049,788</u>

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENT FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Total fund balance reported on government funds Balance Sheet	\$	945,447
Add capital assets not on the Balance Sheet		4,456,250
Less accumulated depreciation		<u>(2,459,218)</u>
		1,997,032
Deferred Outflow of Resources for debt issuance costs related to refunding bonds and amortized over the life of the debt		8,384
Less liabilities not on the Balance Sheet:		
Compensated absences		(182,554)
Termination benefits payable		(69,303)
Other Postemployment Benefits		(16,537)
Bonds payable		<u>(370,000)</u>
		(638,394)
Deferred inflow of resources for property taxes receivable recognized as revenue in the government-wide statement of net assets		<u>104,341</u>
Net assets		<u>\$ 2,416,810</u>

	Balance Sheet	Capital Asset Balances	Debt Related Balances	Measurement Focus Adjustments	Statement of Net Assets
Net Assets					
Net of Related Debt	\$ -	\$ 1,997,032	\$ (361,616)	\$ -	\$ 1,635,416
Restricted for:					
Instruction	114,902	-	(206,184)	2,783	(88,499)
General Administration	-	-	(17,911)	-	(17,911)
School Administration	11,021	-	(15,897)	-	(4,876)
Business	-	-	(4,161)	-	(4,161)
Operation & Maintenance	-	-	(5,530)	-	(5,530)
Special Ed	-	-	(3,112)	-	(3,112)
Transportation	342,659	-	(15,240)	18,473	345,892
School Food	45,086	-	(359)	-	44,727
Capital Projects	2,330	-	-	-	2,330
Debt Service	54,162	-	-	14,999	69,161
Retirement	129,489	-	-	-	129,489
Unrestricted	<u>245,798</u>	-	-	68,086	313,884
Total Net Assets	<u>\$ 945,447</u>	<u>\$ 1,997,032</u>	<u>\$ (630,010)</u>	<u>\$ 104,341</u>	<u>\$ 2,416,810</u>

Capital Asset Balances: Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund level financial statements. Capital assets are economic resources and are reported in the Statement of Net Position.

Debt Related Balances: Long term liabilities, such as bonds and compensated absences, are not due and payable in the current period, and therefore they are not included in the fund-level financial statements. These liabilities reduce net position from an economic perspective and are reported in the Statement of Net Position.

Measurement Focus Adjustments: These amounts include taxes receivable, which are not available to pay for current period expenditures and therefore the related revenue is reported as deferred inflow of resources on the fund-level Balance Sheet. From an economic perspective, this revenue is earned and the related deferred inflow of resources is removed from the Statement of Net Position when the revenue is recognized on the Statement of Activities.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Major Funds</u>			<u>Total Government Funds</u>
	<u>General Fund</u>	<u>Elementary Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	
Revenues:				
District Tax Levies	\$ 1,006,348	\$ 140,063	\$ 459,832	\$ 1,606,243
Other District Revenue	12	-	81,178	81,190
Investment Earnings	290	50	597	937
Cascade County	-	-	348,151	348,151
State of Montana	1,411,723	-	136,455	1,548,178
Federal	-	-	228,777	228,777
Total Revenue	<u>2,418,373</u>	<u>140,113</u>	<u>1,254,990</u>	<u>3,813,476</u>
Expenditures:				
Current:				
Instruction	1,360,773	-	258,325	1,619,098
General Administration	227,460	-	29,113	256,573
School Administrative Services	116,039	-	27,468	143,507
Business	39,661	-	18,824	58,485
Operation & Maintenance	363,215	-	31,902	395,117
Special Education	108,987	-	-	108,987
Transportation	-	-	179,822	179,822
Retirement & Insurance	-	-	525,430	525,430
Extracurricular	186,159	-	-	186,159
School Food	42,869	-	123,348	166,217
Debt Service - Principal	-	105,000	70,000	175,000
Debt Service - Interest	-	13,628	9,322	22,950
Total Expenditures	<u>2,445,163</u>	<u>118,628</u>	<u>1,273,554</u>	<u>3,837,345</u>
Excess (Deficiency) of Revenues Over Expenditures	(26,790)	21,485	(18,564)	(23,869)
Other Financing Sources (Uses):				
Transfers Out - Note 3	-	-	(90,000)	(90,000)
Change in Fund Balance	(26,790)	21,485	(108,564)	(113,869)
Fund Balance, Beginning of Year	<u>272,588</u>	<u>8,868</u>	<u>777,860</u>	<u>1,059,316</u>
Fund Balance, End of Year	<u>\$ 245,798</u>	<u>\$ 30,353</u>	<u>\$ 669,296</u>	<u>\$ 945,447</u>

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

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

Change in fund balance as reported on the government funds statement		\$ (113,869)
Revenues on the Statement of Activities not included in the government funds statement:		
Increase in property taxes receivable	\$ 3,326	3,326
Expenses on the Statement of Activities not included in the government funds statement:		
Depreciation	(98,291)	
Disposal of assets	(3,513)	
Amortization of bond issuance costs and deferred charges	(8,384)	
Decrease in termination payable	36,399	
Other Postemployment Benefits	-	
Increase in compensated absences	(22,464)	(96,253)
Expenditures on the government funds statement not included in the Statement of Activities:		
Capital assets purchased	45,009	
Principal payments on bonds	175,000	220,009
Change in net position as reported on the Statement of Activities		\$ 13,213

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**STATEMENT OF FIDUCIARY NET POSITION AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
FIDUCIARY NET POSITION	
ASSETS	
Cash and Cash Equivalents	\$ 74,231
LIABILITIES	
Accounts Payable	<u>-</u>
NET POSITION	
Held in Trust	<u><u>\$ 74,231</u></u>

CHANGES IN FIDUCIARY NET POSITION	
ADDITIONS	
Student Activity Revenue	\$ 201,636
Transfers In - Multidistrict Agreement	<u>90,000</u>
Total Additions	<u>291,636</u>
DEDUCTIONS	
Student Activities	176,452
Instruction - Multidistrict Agreement	<u>84,592</u>
Total Deductions	<u>261,044</u>
CHANGE IN NET POSITION	30,592
NET POSITION	
Beginning of Year	<u>43,639</u>
End of Year	<u><u>\$ 74,231</u></u>

See accompanying notes to the financial statements.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Belt School District Number 29 and 29D (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

Reporting Entity – Belt School District Number 29 and 29D was established under Montana law to provide elementary and secondary educational services to residents of the District. The District consists of two legally separate entities; an elementary district and a high school district.

Both Districts are managed by one central Board of Trustees elected in a district-wide election, and by a central administration appointed by and responsible to the Board of Trustees. Both Districts must be maintained separately as required by state law because of differences in funding provided by the State Legislature. The elementary district provides education from kindergarten through the eighth grade. The high school district covers grades nine through twelve.

The government of Cascade County provides substantial services to the District. Taxes are levied and collected by the county. Cash is maintained and invested by the County Treasurer. The County Commissioners have a legal right to review and approve the budget adopted by the District. However, management policies and day-to-day control of the District are the sole responsibility of the Board of Trustees.

The County does not significantly influence the operations of the District; thus, the District is being treated as a separate and independent local government unit.

Government-Wide and Fund Financial Statements – The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-Wide Financial Statements – The statement of net position and statement of activities report information on all of the nonfiduciary activities of the District.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's government activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipient of the goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for government funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the District at a more detailed level (and to demonstrate legal compliance). The focus of government fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as nonmajor government funds. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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 grantor or provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Real and personal property taxes (excluding motor vehicle taxes), charges for current services and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. The District records real and personal property taxes levied for the current year as revenue. Taxes receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year are recorded as deferred revenue, with a corresponding reduction in revenues, as required by generally accepted accounting principles. In addition, prior period delinquent taxes collected in the current period are recorded as revenue in the current period as required by generally accepted accounting principles. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

GASB Statement No. 34 requires that the general fund be reported as a major fund and that all other government funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all government funds also be reported as major funds.

Accordingly, the District reports the following major government funds:

General Fund – The District’s primary operating fund which accounts for general maintenance and operational costs of the District not financed by other funds. The General Fund is a budgeted fund.

Elementary Debt Service Fund – This fund accounts for interest and principal payments on outstanding bonds. The Elementary Debt Service Fund is a budgeted fund.

Additionally, the District reports the following fund type:

Private-Purpose Trust Funds – These fiduciary funds report all other trust arrangements under which the principal and income benefit individuals, private organizations or other governments. The District has student extracurricular activities fund and interlocal agreement fund.

Cash and Cash Equivalents and Investments – The District's cash, except for the student extracurricular funds, is held by the County Treasurer and pooled with other County cash. All District cash which is not necessary for short-term obligations is pooled for investment purposes.

Interest earned on pooled investments is distributed to each contributing entity and fund on a pro-rata basis. Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC or NCUA located in the State, or in a repurchase agreement, or with 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 funds if the fund meets certain conditions.

The 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 Cascade County deposits and investments is available from the Cascade County Treasurer's Office.

Receivables – Property is assessed by the County division of the State Department of Revenue. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are deferred only in the fund financial statements. The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are due in two payments, generally November 30 and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property and sell it to pay the taxes.

Inventories – Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained, however, they are not considered material.

Capital Assets – Capital assets, which include land, land improvements, building and improvements, and machinery and equipment are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at the estimated fair market value at the date of donation. District policy defines capital assets as assets with an initial individual cost of \$5,000 or more with a useful life of more than one year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20-25 Years
Building and Improvements	10-50 Years
Machinery and Equipment	5-12 Years

Compensated Absences – Non-certified employees earn vacation leave at the rate of 15 days per year during the first ten years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is two times the maximum number of days earned annually. At termination, employees are paid for accumulated vacation leave at the current rate of pay.

Non-certified employees earn sick leave at a rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of the accumulated sick leave is paid.

Certified employees earn 8 sick days per year. Unused days of sick leave will be allowed to accumulate to a maximum of 100 days. Certified employees are credited with 6 personal leave days at the start of each school year. An employee can trade 4 sick days for 1 personal day, allowing a maximum of 2 additional personal days a year. Unused personal leave will be credited and accumulated as sick leave up to a maximum of 12 days credit per year. Upon termination, 25-50% of the accumulated sick leave is paid depending on years of service.

The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. In government funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year-end from future resources, not expendable available resources.

The District, in accordance with section 20-9-512, MCA, transfers money, within the adopted budget, (through an operating transfer) from the General Fund to maintain the Compensated Absences Fund. The purpose of this fund is to pay any accumulated sick leave and vacation leave that a non-teaching or administrative employee is entitled to upon termination of employment. The balance is restricted to 30% of the District's recorded liability for accumulated sick and vacation leave for non-teaching or administrative employees at June 30, 2014.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities on the statement of net position.

Fund Equity – In the government-wide statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: consists of capital assets, net of accumulated depreciation, and reduced by outstanding bonds attributable to the acquisition, construction, or improvement of those assets.

Restricted: consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted: all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

In the fund financial statements, government fund equity is classified as fund balance. Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Classifications include:

Non-spendable Fund Balance: amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained in-tact.

Restricted Fund Balance: amounts that can only be spent for specific purposes because of externally imposed constraints by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned Fund Balance: amounts that are constrained by the government's intent to be used for a specific purpose. Intent should be expressed by the governing body itself or a body or official the governing body had delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance: amounts that are available for any purpose. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers committed funds to have been spent first, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment functions.

NOTE 2: RESTATEMENTS:

On the Statement of Net Position, the beginning balance for Machinery and Equipment did not agree to District records. A correction was made as of June 30, 2014, to add \$130,376 to the balance, which also increased the Net Position, Net Investment in Capital Assets amount by \$130,376.

On the Statement of Activities, the net effect of the restatement noted above is an increase in net position of \$130,376.

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The District participates in the Cascade County Treasurer's investment program. All of the District's funds, except for the student extracurricular funds, are pooled and invested in the County's investment pool. These pooled investments are recorded at cost. Interest earnings from the pooled investments are allocated to the District based on average month-end balances and are distributed monthly. Funds are withdrawn from the investment program as needed to pay warrants. It is not practical for the District to determine the market risk, investment risk, insurance coverage, or collateral for its share of the County's investments.

The student extracurricular funds are deposited in an interest-bearing checking account and are covered by FDIC insurance.

NOTE 4: INTERFUND ACTIVITY:

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between government funds are eliminated in the statement of activities. Interfund transfers in the fund financial statements are reported as operating transfers within other financing sources/uses category. During 2014 the District transferred \$60,000 from the High School Transportation Fund and \$30,000 from the Elementary Transportation Fund to the High School Interlocal Agreement Fund.

NOTE 5: CAPITAL ASSETS:

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2014:

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Cost:				
Land	\$ 3,513	\$ -	\$ 3,513	\$ -
Land Improvements	38,864	-	-	38,864
Building and Improvement	3,609,629	45,009	-	3,654,638
Machinery and Equipment	634,248	172,500	44,000	762,748
Total	<u>\$ 4,286,254</u>	<u>\$ 217,509</u>	<u>\$ 47,513</u>	<u>4,456,250</u>
<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	
Accumulated Depreciation:				
Land Improvements	\$ (15,997)	\$ (1,794)	\$ -	(17,791)
Building and Improvement	(1,858,332)	(54,700)	-	(1,913,032)
Machinery and Equipment	(488,474)	(83,921)	(44,000)	(528,395)
Total	<u>\$ (2,362,803)</u>	<u>\$ (140,415)</u>	<u>\$ (44,000)</u>	<u>(2,459,218)</u>
				<u>\$ 1,997,032</u>

Current year depreciation expense was allocated to functions in the government-wide financial statements as follows:

Operation and Maintenance	\$ 600
Transportation	37,797
Unallocated, Primarily Building Depreciation	59,894
Total Depreciation Expense	<u>\$ 98,291</u>

NOTE 6: DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES:

The balances shown as Deferred Inflows of Resources on the governmental funds balance sheet are amounts associated with imposed non-exchange revenue transactions for property taxes as of June 30, 2014. The balances shown as Deferred Outflows of Resources on the government-wide statement of net position are amounts associated with debt issuance costs as of June 30, 2014.

NOTE 7: GENERAL LONG-TERM DEBT:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation					
Refunding	\$ 545,000	\$ -	\$ 175,000	\$ 370,000	\$ 185,000
Termination					
Benefits Payable	105,702	-	36,399	69,303	38,233
OPEB	16,537	-	-	16,537	-
Compensated					
Absences	160,090	22,464	-	182,554	40,578
Total	<u>\$ 827,329</u>	<u>\$ 22,464</u>	<u>\$ 211,399</u>	<u>\$ 638,394</u>	<u>\$ 263,811</u>

General Obligation Refunding Bonds - On October 27, 2005, the District issued \$1,720,000 in general obligation refunding bonds with interest rates ranging between 3.1% and 4.15%. The District issued the bonds to advance refund the outstanding series 1996 general obligation bonds in the amount of \$1,635,000, with interest rates ranging between 5.0% and 5.5%. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the 1996 series bonds. The 1996 series bonds were called and redeemed on July 1, 2006 including all interest accrued to the redemption date. As a result, the 1996 series bonds were considered defeased, and the District removed the liability from its accounts.

General Obligation Bonds – The District has issued general obligation bonds in prior years for the acquisition and construction of capital facilities.

General obligation and general obligation refunding bonds are direct obligations and pledge the full faith and credit of the District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Issue Date</u>	<u>Term</u>	<u>Original Amount</u>	<u>Rate</u>	<u>Retired</u>	<u>Outstanding 6/30/14</u>	<u>Due Within One Year</u>
Elementary 2005	10 Years	\$ 1,035,000	3.1 to 4.15%	\$ 815,000	\$ 220,000	\$ 110,000
High School 2008	10 Years	685,000	3.1 to 4.15%	535,000	150,000	75,000
Total					<u>\$ 370,000</u>	<u>\$ 185,000</u>

General obligation refunding bonds of the District are secured by the general credit and revenue-raising powers of the District. The bonds are payable from amounts available in the Debt Service Funds and from revenues from future years' debt service property tax levies, which are restricted by state law to the payment of general obligation, and general obligation refunding bond principal and interest.

Requirements to Amortize Debt – The annual requirements to amortize all long-term debt outstanding, except compensated absences and termination benefits payable, as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 185,000	\$ 15,262	\$ 200,262
2016	185,000	7,678	192,678
	<u>\$ 370,000</u>	<u>\$ 22,940</u>	<u>\$ 392,940</u>

NOTE 8: TERMINATION BENEFITS PAYABLE:

The District offered special termination benefits during 2013 to certified teachers meeting certain eligibility requirements. The special termination benefits allowed the eligible employees to retire and receive termination pay and insurance benefits for certain periods of time up to five years in length. The total special termination benefits measured at the current cost of expected future cash flows for the two eligible employees that elected to take the benefits amounted to \$69,303 as of June 30, 2014.

The District offered special termination benefits during 2009 to certified teachers and administrators meeting certain eligibility requirements. The special termination benefits allowed the eligible employees to retire and receive termination pay and insurance benefits for certain periods of time up to four years in length. The District's obligations for these termination benefits were completed as of June 30, 2014.

The total balance for the 2013 termination benefits of \$69,303 is recorded as a liability in the government-wide financial statements.

NOTE 9: FUND BALANCES:

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted the District, which is a percentage of the subsequent year's budgeted expenditures, is as follows:

General Fund	10%
Transportation	20%
Retirement	20%
Adult Education	35%

State law permits a reserve for operations in the bond debt service funds not to exceed debt service payments due within five months after the end of the next fiscal year. It also permits the District to reserve the collection of protested and delinquent property taxes in the general fund.

At June 30, 2014, the Elementary Technology Fund had a deficit fund balance of (\$1,371) due to a beginning deficit fund balance amount.

NOTE 10: RETIREMENT PLANS:

The District participates in two statewide 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 the Teachers' Retirement System (TRS), and substantially all other District employees are covered by the 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%	7.15% <i>Tier 1</i>	8.15% <i>Tier 2</i>
State	0.37%	2.49%	

Tier 1 – person who became a member before July 1, 2013, and who has not withdrawn their account balance.

Tier 2 – person who became a member on or after July 1, 2013, or who, after withdrawing their account balance, became a member again on or after July 1, 2013.

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

- Public Employees Retirement Division Phone: 406-444-3154
P.O. Box 200131
Helena, MT 59620-0131

- Teachers' Retirement Division Phone: 406-444-3134
P.O. Box 200319
Helena, MT 59620-0319

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

	<u>TRS</u>	<u>PERS</u>
June 30, 2012	<u>\$ 215,458</u>	<u>\$ 36,872</u>
June 30, 2013	<u>\$ 250,058</u>	<u>\$ 40,628</u>
June 30, 2014	<u>\$ 250,097</u>	<u>\$ 42,420</u>

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB):

The District allows its retired employees to continue to participate in its group health insurance plan at a premium rate that does not cover all of the related healthcare costs. This results in another postemployment benefit (OPEB) referred to as an "implicit rate subsidy". OPEB is considered to be a long-term liability and is recorded on the accrual basis on the government-wide Statement of Net Position and Statement of Activities. The District is required to have a valuation done on OPEB at least triennially. The most recent evaluation was completed for the year ending June 30, 2013.

Plan Description: Blue Cross Blue Shield is the insurance company handling the District's insurance. As required by State law (2-18-704, MCA), the District provides its employees who retire, along with their eligible spouses and dependents, the option to continue to participate in the District's group health insurance plan. To continue this health insurance coverage, the retirees are required to pay the full amount of their premium. State law does not require that the District provide the same premium rates to retirees as it pays for its active employees, nor does it require that the District pay any portion of the retiree premiums. Premium rates and healthcare benefits may be administratively altered at the end of any contract year.

Funding Policy: The plan operates on a "pay-as-you-go" basis. The District pays \$6,861 of the premium for its active employees per month, and contributes nothing to the premium for its retirees, except for those negotiated in termination contracts. For school year 2013-2014, premiums for the District's retirees and active employees were at the same rate, and varied between \$266 and \$1,195 per month, depending on the coverage selected and contract type. For the fiscal year ended June 30, 2014, 4 retired members and 10 active employees received benefits through the District's healthcare plan.

Annual Required Contribution (ARC): The ARC, an actuarially determined amount, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the district's annual OPEB cost for the June 30, 2013 year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation.

Net OPEB Obligation at June 30, 2012	\$ 15,211
Interest on net OPEB obligation	636
Amortization Factor	15,901
Adjustment to ARC	(15,211)
Annual OPEB cost (expense)	<u>16,537</u>
Contributions made	-
Net OPEB obligation at June 30, 2013	<u><u>\$ 16,537</u></u>

The funding status of the plan as of June 30, 2013 is shown below.

Actuarial Accrued Liability (AAL)	\$ 287,462
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 287,462</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	<u><u>\$ 1,887,508</u></u>
UAAL as a percentage of covered payroll	15%

Actuarial Methods and Assumptions: The District has fewer than 100 plan members, and has elected to use the alternative measurement method rather than receiving an actuarial evaluation. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan terms as understood by the District and plan members) at the time of the actuarial valuation and on the pattern of sharing of costs between the District and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial methods and significant assumptions used include:

- Calculation of the ARC Using the Unit Credit Cost Method with the present value of future normal costs amortized as a level dollar amount
- Assumed retirement age at 67
- Marital status: same as what was in effect at the valuation date

- Discount rate: 4.0%
- Plans with coverage options: calculated average rate over all plan options
- Projected Salary Increases of 2.0%
- Healthcare cost trend rate at: 3%

The required Schedule of Funding Progress immediately following the notes to the financial statements in the required supplementary information is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12: RISK MANAGEMENT:

The District faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers compensation and (d) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, and medical insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Insurance Authority (MSGIA) Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of approximately 200 schools and educational cooperatives located within the State of Montana. The District pays premiums on an experience-rated basis calculated actuarially to spread and moderate the cost of claim losses to each member of the pool. MSGIA is considered a self-sustaining risk pool currently operating as a common risk management and insurance program for the member school districts. All school district participants are jointly and severally liable for the liabilities of this risk pool. Audited financial statements are available from MSGIA.

NOTE 13: JOINT VENTURES:

A joint venture is a legal entity or other organization created by a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control for the purpose of pooling resources and sharing costs, risks and rewards of providing goods or services to the venture participants.

The District is a member of the North Central Learning Resource Center Cooperative. The members of the Cooperative consist of school districts in Cascade County. The Cooperative is administrated by an advisory board appointed by member school districts. The Cooperative is a joint venture established to offer certain special education services to all handicapped students in compliance with State and Federal law. The District has an ongoing financial responsibility to fund their fair share of the Cooperative budget. Complete financial statements for the North Central Learning Resource Center Cooperative can be obtained from the Cooperative.

The District is also a member of the Golden Triangle Curriculum Cooperative. The Cooperative is comprised of nine school districts which share costs to develop their school curriculum. Another school district is the host district for the Cooperative and the records are a part of the host district's accounting records. The District has an ongoing financial responsibility to fund their fair share of the Cooperative budget. Complete financial statements for the Golden Triangle Curriculum Cooperative can be obtained from the Cooperative.

NOTE 14: SUBSEQUENT EVENTS:

In accordance with ASC No. 855, the District evaluated subsequent events through June 8, 2015, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.

BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA

SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES-BUDGET AND ACTUAL
ELEMENTARY DEBT SERVICE AND
ELEMENTARY AND HIGH SCHOOL GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	ELEMENTARY GENERAL FUND		
	FINAL BUDGET	ACTUAL	VARIANCE
Revenues:			
District Tax Levies	\$ 689,018	\$ 682,643	\$ (6,375)
Other District Revenue	9	12	3
Cascade County	-	-	-
Investment Earnings	774	197	(577)
Cascade County	-	-	-
State of Montana	742,846	723,799	(19,047)
Total Revenues	<u>1,432,647</u>	<u>1,406,651</u>	<u>(25,996)</u>
Expenditures:			
Current:			
Instructional Services		936,139	
General Administration		96,669	
School Administration		66,295	
Business		19,087	
Operation and Maintenance		192,950	
Transportation		-	
Special Education		59,416	
Retirement and Insurance		-	
Retirement and Insurance		-	
Transportation		-	
Extracurricular		19,200	
School Food		42,869	
Debt Service - Principal		-	
Debt Service - Interest		-	
Total Expenditures and Transfers	<u>1,432,647</u>	<u>1,432,625</u>	<u>(22)</u>
Excess (Deficiency) of Revenues over Expenditures and Transfers	<u>\$ -</u>	<u>(25,974)</u>	<u>\$ (25,974)</u>
Other Financing Sources (Uses):			
Transfers Out		-	
Net Change in Fund Balances		(25,974)	
Fund Balances, Beginning of Year		<u>185,215</u>	
Fund Balances, End of Year		<u>\$ 159,241</u>	

ELEMENTARY DEBT SERVICE FUND			HIGH SCHOOL GENERAL FUND			COMBINED
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	ACTUAL
\$ 141,132	\$ 140,063	\$ (1,069)	\$ 324,266	\$ 323,705	\$ (561)	\$ 1,146,411
8,868	-	(8,868)	-	-	-	12
-	-	-	-	-	-	-
-	50	50	348	93	(255)	340
-	-	-	-	-	-	-
-	-	-	687,924	687,924	-	1,411,723
<u>150,000</u>	<u>140,113</u>	<u>(9,887)</u>	<u>1,012,538</u>	<u>1,011,722</u>	<u>(816)</u>	<u>2,558,486</u>
				424,634		1,360,773
				130,791		227,460
				49,744		116,039
				20,574		39,661
				170,265		363,215
				-		-
				49,571		108,987
				-		-
				-		-
				166,959		186,159
	105,000			-		42,869
	13,628			-		105,000
<u>150,000</u>	<u>118,628</u>	<u>(31,372)</u>	<u>1,012,538</u>	<u>1,012,538</u>	<u>-</u>	<u>2,563,791</u>
<u>\$ -</u>	21,485	<u>\$ 21,485</u>	<u>\$ -</u>	(816)	<u>\$ (816)</u>	(5,305)
				-		-
	21,485			(816)		(5,305)
	8,868			87,373		281,456
	<u>\$ 30,353</u>			<u>\$ 86,557</u>		<u>\$ 276,151</u>

See accompanying notes to budget and actual schedule.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**NOTES TO BUDGET AND ACTUAL SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

State law requires the District to prepare budgets for certain. Budgets are prepared on the modified accrual basis of accounting. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. There was one budget amendment during the 2014 school year affecting the nonmajor governmental funds.

General fund budgets are based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board approves the original budget by the fourth Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. There were no encumbrances in 2014.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - RETIREE HEALTH INSURANCE
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
June 30, 2013	\$ -	\$ 287,462	\$ 287,462	0.0%	\$ 1,887,508	15.2%

As additional actuarial valuations are performed, this schedule will be expanded to include information for the most recent two preceding valuations, and will include disclosure of any factors that significantly affect the identification of trends in the amounts reported. The District is required to have actuarial evaluations done at least triennially.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
 CASCADE COUNTY
 BELT, MONTANA
 SCHEDULE OF ENROLLMENT
 FOR THE YEAR ENDED JUNE 30, 2014**

Fall Enrollment

- a. Pre-Kindergarten
- b. Kindergarten Full
- c. Kindergarten Part
- d. Grades 1-6
- e. Grades 7-8
- f. Total Elementary (add lines a thru e)

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0

- High School District
- g. Grades 9 - 12
 - h. 19 Year-olds included on line g
 - i. Youth Challenge students included on line g

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
9-12	0	0	0	0

Winter Enrollment

- Elementary School District
- j. Pre-Kindergarten
 - k. Kindergarten Full
 - l. Kindergarten Part
 - m. Grades 1-6
 - n. Grades 7-8
 - o. Total Elementary (add lines j thru n)

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0

- High School District
- p. Grades 9 - 12
 - q. 19 Year-olds included on line p
 - r. Early Graduates (not included in p)
 - s. Youth Challenge students included on line p

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
9-12	0	0	0	0

Spring Enrollment

- Elementary School District
- j. Pre-Kindergarten
 - k. Kindergarten Full
 - l. Kindergarten Part
 - m. Grades 1-6
 - n. Grades 7-8
 - o. Total Elementary (add lines j thru n)

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0

- High School District
- p. Grades 9 - 12
 - q. 19 Year-olds included on line p
 - r. Early Graduates (not included in p)
 - s. Youth Challenge students included on line p

<u>Part-time students:</u>	<u>Per Enrollment Reports</u>			
Grade	<u><180 hrs/yr</u>	<u>180-359 hrs/yr</u>	<u>360-539 hrs/yr</u>	<u>540-719 hrs/yr</u>
9-12	0	0	0	0

Fall Enrollment		Fall Per Enrollment Reports	Audit Per District Records	Difference
a. Pre-Kindergarten		-	-	0
b. Kindergarten Full		25	25	0
c. Kindergarten Part		-	-	0
d. Grades 1-6		153	153	0
e. Grades 7-8		42	42	0
f. Total Elementary (add lines a thru e)		220	220	0

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
K-Full	0	0	0	0	0	
K-Part	0	0	0	0	0	
1-6	0	0	0	0	0	
7-8	0	0	0	0	0	
High School District						
g. Grades 9 - 12			92	92	0	
h. 19 Year-olds included on line g			0	0	0	
i. Youth Challenge students included on line g			0	0	0	

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
9-12	0	0	0	0	0	

Winter Enrollment		Winter Per Enrollment	Audit Per District	Difference
Elementary School District				
j. Pre-Kindergarten		-	-	0
k. Kindergarten Full		24	24	0
l. Kindergarten Part		-	-	0
m. Grades 1-6		155	155	0
n. Grades 7-8		42	42	0
o. Total Elementary (add lines j thru n)		221	221	0

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
K-Full	0	0	0	0	0	
K-Part	0	0	0	0	0	
1-6	0	0	0	0	0	
7-8	0	0	0	0	0	
High School District						
p. Grades 9 - 12			92	92	0	
q. 19 Year-olds included on line p			0	0	0	
r. Early Graduates (not included in p)			0	0	0	
s. Youth Challenge students included on line p			0	0	0	

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
9-12	0	0	0	0	0	

Spring Enrollment		Spring Per Enrollment	Audit Per District	Difference
Elementary School District				
j. Pre-Kindergarten		-	-	0
k. Kindergarten Full		23	23	0
l. Kindergarten Part		-	-	0
m. Grades 1-6		152	152	0
n. Grades 7-8		39	39	0
o. Total Elementary (add lines j thru n)		214	214	0

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
K-Full	0	0	0	0	0	
K-Part	0	0	0	0	0	
1-6	0	0	0	0	0	
7-8	0	0	0	0	0	
High School District						
p. Grades 9 - 12			93	93	0	
q. 19 Year-olds included on line p			0	0	0	
r. Early Graduates (not included in p)			0	0	0	
s. Youth Challenge students included on line p			0	0	0	

Part-time students:		Audit Per District Records				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference	
9-12	0	0	0	0	0	

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**ELEMENTARY AND HIGH SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - EXTRACURRICULAR FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Fund Account Name</u>	<u>Balance 7/1/13</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/14</u>
Temporary Holding	\$ 3,097	\$ 17,170	\$ 19,436	\$ -	\$ 831
Activity Fees and Tickets	1,894	9,413	10,506	-	801
Football	82	24,274	21,071	-	3,285
Basketball	740	23,879	22,460	-	2,159
Volleyball	167	16,326	14,548	-	1,945
Track	272	7,200	3,409	-	4,063
Golf	64	3,000	1,266	-	1,798
Cheerleaders	2,300	1,676	1,495	-	2,481
Yearbook	3,913	10,750	9,994	-	4,669
Music	291	8,161	6,132	-	2,320
Student Senate	20	920	-	-	940
Drama Club	594	2,341	297	-	2,638
FFA	2,315	1	-	-	2,316
FCCLA	-	-	-	-	-
Shop Club	72	-	-	-	72
Jr High Activities	4,630	4,780	2,488	-	6,922
Jr High Senate	456	-	-	-	456
Elementary Activity	3,482	1,548	800	-	4,230
DECA	492	47,768	45,386	-	2,874
Library Fund	1,091	5,255	2,579	-	3,767
Class of 2013	471	-	-	(471)	-
Class of 2014	3,820	1,574	5,027	-	367
Class of 2015	1,908	2,964	1,647	-	3,225
Class of 2016	1,439	2,833	1,560	-	2,712
Class of 2017	-	3,490	2,286	471	1,675
Replacement	1,641	165	-	-	1,806
Healthy Habits	856	-	-	-	856
Wrestling	730	2,455	2,938	-	247
John Yurko Memorial	403	-	-	-	403
Valley Voice	505	165	-	-	670
Spanish Club	243	620	675	-	188
Summer Boy Basketball	628	-	-	-	628
Youth Leadership	685	-	-	-	685
Belt Wellness Center	2,692	2,307	-	-	4,999
Instrument Rental	1,644	601	452	-	1,793
Totals	<u>\$ 43,639</u>	<u>\$ 201,636</u>	<u>\$ 176,452</u>	<u>\$ -</u>	<u>\$ 68,823</u>



Douglas WILSON
and Company, PC

To the Board of Trustees
Belt School District Number 29 and 29D
Cascade County
Belt, Montana

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belt School District Number 29 and 29D, Cascade County, Belt, Montana ("District"), 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 and have issued our report thereon dated June 8, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency: findings #2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #2014-002 through #2014-006.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected 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.



Great Falls, Montana
June 8, 2015

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

The following is a schedule of findings and other matters which arose during the audit of the year ended June 30, 2014:

CURRENT YEAR

2014-001: TRANSPORTATION FUND

CRITERIA: Transportation Fund expenditures are only made for costs associated with the program for transporting students to and from school.

CONDITION: As a follow-up to a finding noted in the 2013 audit report, we noted that other entities are filling up vehicles with gas purchased by the District from the Transportation Fund. Gas tanks are held on District property for use by the District for the school buses. Logs are still kept indicating the other entities usage of the gas tanks. There still is no contract or agreement in writing discussing gas usage with the other entities, and there was no indication of reimbursement to the District by the other entities for the gas usage.

CAUSE: The District has been providing gas for these entities for quite some time. This issue was identified during the 2013 audit. However, given the 2013 audit completion date the District did not have time to correct this issue for the 2013-14 school year. Going forward, the District is still continuing to pay for gas for these entities, but the payments will be made from the General Fund.

EFFECT: The District is out of compliance with state law for allowable expenditures out of the Transportation Fund totaling \$4,889.

RECOMMENDATION: We recommend the District determine if it is cost beneficial to the District to continue to pay for gas for non-District use.

SCHOOL DISTRICT RESPONSE: The district is keeping a log of the fuel used by these emergency services. That expense will be paid from the General fund. This will be in compliance with state law.

2014-002: BUS DRIVER TRAINING

CRITERIA: Each District is required to create and implement a driver training program that meets the needs of the district and bus drivers. A program must be provided that includes 10 hours of in-service training. Each training opportunity for every driver must be documented and maintained by the District. A training schedule must be set per fiscal year or school year, but not both.

CONDITION: The District has maintained the training records for all drivers, and has chosen to track hours based on the July through June school year. For the 2013-14 school year the 10-hour requirement was not met for seven out of eight bus drivers.

CAUSE: The District provided training to bus drivers in April 2013 then again in August 2014; therefore both were outside of the 2013-14 school year.

EFFECT: Non-compliance with OPI bus driver training requirements.

RECOMMENDATION: We recommend the District provide 10 hours of bus driver training to each driver during the school year.

SCHOOL DISTRICT RESPONSE: The district will insure that bus driver training takes place within the boundaries of the school year.

2014-003: FUND TRANSFERS

CRITERIA: Within 30 days of approving a fund transfer, the trustees shall notify the state superintendent, county superintendent, and county treasurer in writing of the amount of budget authority transferred, the purposes for which the amount transferred will be used, and the funds affected. (ARM 10.10.320)

CONDITION: The Board approved fund transfers in the December 10, 2013 meeting, but the required individuals were not notified until May 29, 2014, therefore not within the required 30 days.

CAUSE: Unknown.

EFFECT: The District did not comply with state law.

RECOMMENDATION: We recommend the District comply with state law and inform the required individuals of fund transfers as outlined in state law.

SCHOOL DISTRICT RESPONSE: The transfers that were approved in December were not actually done until May 21. My understanding was to notify the state superintendent, county superintendent and county treasurer within 30 days of when the transfer transpired. In the future, the 3 mentioned entities will be notified within 30 days of the approval.

2014-004: EXCESS VACATION LEAVE

CRITERIA: According to state law 2-18-617, MCA, noncertified employees may accumulate annual vacation leave to a total not to exceed two times the maximum number of calendar days earned annually as of the end of the first pay period of the next calendar year. Excess vacation time is forfeited if not taken within 90 calendar days from the last day of the calendar year in which the excess was accrued. If an employee makes a reasonable written request to use the excess vacation leave before the excess vacation leave must be forfeited and the local government denies the request, the excess vacation leave is not forfeited and the local government shall ensure that the employee may use the excess vacation leave before the end of the calendar year in which the leave would have been forfeited.

CONDITION: As of December 31, 2013, one employee had 95 hours in excess of the allowed amount. These hours were not used within the 90 days outlined in state laws and no written request was submitted. The excess hours were not forfeited by the District.

CAUSE: Unknown

EFFECT: The District is out of compliance with state law.

RECOMMENDATION: We recommend the District follow state law and monitor annual vacation leave hours on a calendar year basis to determine if forfeitures are needed.

SCHOOL DISTRICT RESPONSE: As per past practice, excess vacation is paid out to classified employees. This was overlooked by the clerk. As soon as this error was identified, the employee was paid for the excess vacation leave. The clerk will look more closely at accumulated vacation leave.

2014-005: BUDGET AMENDMENTS

CRITERIA: A budget may be amended for unforeseen need of the district that cannot be postponed until the next school year. The trustees may approve these types of budget amendments by resolution. The trustees may proclaim the need for the amendment by a majority vote, and a copy of the proclamation must be sent to the county superintendent and the board of county commissioners. A copy of the budget amendment resolution must be published in a newspaper.

CONDITION: The 2013-14 budget was approved during the August 13, 2013 meeting. The Board approved an amendment to the budget during the September 10, 2013 meeting. No proclamation or resolution was completed for this amendment, and nothing was published in the newspaper about this amendment.

CAUSE: Amendments were needed to the retirement budget and bus depreciation fund budget.

EFFECT: The District is out of compliance with state law.

RECOMMENDATION: We recommend the District complete the required information outlined in state law regarding procedures for completing budget amendments.

SCHOOL DISTRICT RESPONSE: The district will complete the required information outlined in state law regarding posting and publishing requirements.

2014-006: TECHNOLOGY FUND

CRITERIA: The technology acquisition and depreciation fund is for school district expenditures incurred for a) the purchase, rental, repair, and maintenance of technological equipment, b) cloud computing services for technology infrastructure and c) software and associated technical training for school district personnel.

CONDITION: While conducting the audit we noted that the Elementary Technology Fund paid for two indoor athletic rowing machines totaling \$2,640.

CAUSE: Unknown.

EFFECT: The District is out of compliance with state law regarding allowable costs for the Elementary Technology Fund totaling \$2,640.

RECOMMENDATION: We recommend the District comply with state law and only pay for allowable costs out of the Elementary Technology Fund.

SCHOOL DISTRICT RESPONSE: The Belt Public School spends in excess of \$100,000 per year in Technology related expenses. The machines were purchased for a community work out room open to the public. Expense transfers should have been completed before the year end. Only technology expenses will be spent from the Technology fund.

**BELT SCHOOL DISTRICT NUMBER 29 AND 29D
CASCADE COUNTY
BELT, MONTANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

PRIOR AUDIT FINDINGS

2013-001: EXTRACURRICULAR DEPOSITS

CRITERIA: Since an Extracurricular Fund is established for student functions, all receipts should be related to organized student activities or student assessments. A direct payment, rather than a transfer, will be permitted to reimburse the student activity fund if the claim against the General Fund is properly authorized, completely documented and easily traced into the extracurricular fund records. A \$14,000 check was written from the Elementary General Fund to the Extracurricular Fund. The check was to replenish the activity accounts with negative balances and there was no document supporting the exact amount of the disbursement.

RECOMMENDATION: We recommend the District only make direct payments from the General Fund to the Extracurricular Fund if there is adequate documentation to support the exact amount of the disbursements out of the General Fund.

STATUS: Implemented

2013-002: TRANSPORTATION FUND

CRITERIA: Transportation Fund expenditures are only made for costs associated with the program for transporting students to and from school. Other entities are filling up vehicles with gas purchased by the District from the Transportation Fund. Gas tanks are held on District property for use by the District for the school buses. There is no contract or agreement in writing discussing gas usage with the other entities, and there was no indication of reimbursement to the District by the other entities for the gas usage.

RECOMMENDATION: We recommend the District cease its process for allowing other entities to use District gas reserves in order to comply with state law.

STATUS: Not Implemented – See finding #2014-001

2013-003: CASH ACCOUNTS HELD WITH THE COUNTY

CRITERIA: Every month, the District shall reconcile ending cash, investments, cash receipts and cash disbursements reported by the county treasurer with the District's records for all funds. Any differences shall be documented and adjusted to the District's records as necessary. The District cash records do not reconcile to the county reports at year-end for the Elementary and High School General Fund.

RECOMMENDATION: We recommend the District continue to work with the County to reconcile cash differences.

STATUS: Implemented

2013-004: BUDGET MEETING

CRITERIA: Between July 1 and August 10, the clerk of each district shall publish one notice in the local or county newspaper with the widest circulation in the district, stating the date, time, and place that the trustees will meet for the purpose of considering and adopting the final budget. The District did not publish a notice for the budget meeting as required by state law.

RECOMMENDATION: We recommend the District comply with state law and inform the public as required of the budget meetings held by the Board.

STATUS: Implemented

2013-005: EXPENDITURE LIMITATIONS

CRITERIA: Expenditures must be limited to the total amount that is appropriated in each fund's final budget. The High School Debt Service Fund exceeded budget authority by \$564.

RECOMMENDATION: We recommend the District review the entries made by the County on the District's behalf in a timely manner to ensure accuracy of reporting.

STATUS: Implemented

2013-006: BUDGET AMENDMENTS

CRITERIA: The publication, posting, and delivery of the resolution must be done not less than one week before the day specified in the resolution for the consideration and adoption of a budget amendment. The District had one budget amendment in the Elementary General Fund for \$100,000. The information was published in the paper on May 29, 2013 and the meeting was held on May 30, 2013, which is not in the required timeframe outlined in state law.

RECOMMENDATION: We recommend the District publish notices of budget amendments in accordance with state law.

STATUS: Not Implemented – See finding #2014-005

2013-007: TR-1 TRANSPORTATION FORMS

CRITERIA: When the board of trustees changes the mileage per day, or if a different school bus is used on the route, or a change in bus driver, the trustees must enter an amended TR-1 bus route form. A route bus had electrical issues and was not used for a portion of the school year. The trustees did not complete and submit an amended TR-1 form as required.

RECOMMENDATION: We recommend the District review the requirements for TR-1 forms and complete these forms when required.

STATUS: Implemented

2013-008: BUS DEPRECIATION RESERVE FUND

CRITERIA: The budget documentation for the Bus Depreciation Reserve Fund should include all buses and radios that are being depreciated. There are discrepancies between the buses listed in the budget document for the High School and Elementary Bus Depreciation Reserve Funds and what is reflected in the capital asset listing and depreciation information for the District.

RECOMMENDATION: We recommend the District review the buses listed in the budget document for the Bus Depreciation Reserve Fund and compare this to the capital asset listing to ensure that they agree and update the budget document and/or capital asset listed as needed.

STATUS: Implemented