

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
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BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

Maureen Averill  
Paul Sandry  
Patricia Landon  
Zack Anderson  
Paul Sullivan Jr  
Jessica Martinz  
Dana Whitney

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Russ Kinzer  
Eda Taylor  
Marcia Monroe Sheffels  
Michael Dahlem

District Superintendent  
Business Manager  
County Superintendent  
District Attorney

BIGFORK PUBLIC SCHOOLS  
 SCHOOL DISTRICT #38,  
 FLATHEAD COUNTY, MONTANA  
 MANAGEMENT'S DISCUSSION & ANALYSIS  
 JUNE 30, 2014

This management's discussion and analysis provides an overview of the school's financial activities for the fiscal year ended June 30, 2014.

**USING THIS ANNUAL REPORT**

This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the 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 (they include capital assets and long term liabilities).

Fund financial statements present a short-term view of the District's activities. They include only current assets expected to be collected and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

This report includes district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus and using the accrual bases of accounting. This is similar to the basis of accounting used by most private-sector companies. Activities that are fiduciary in nature are not included in these statements.

The statement of net position comparison, on page 5, shows the "assets" (what is owned by the District), "liabilities" (what is owed by the district) and the "net position" (the resources that would remain if all obligations were settled) of the District. The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. There are also other non financial factors that influence the District's fiscal health such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc. The change in total liabilities and net position for FY 14 was (\$211,906).

The statement of activities comparison, on page 6, shows the amounts of program-specific and general school district expenditures and the revenues used to support the school district's various functions in FY 14 and FY 13. Some programs included here are instructional, support services, administration, student transportation, and school food. Total revenues for the District, including program and general revenues, for FY 14 increased by \$444,199.

	Fy 13	Fy 14	Variance
Expenditures	7,658,138	8,344,186	686,048
Revenue	7,927,045	8,371,244	444,199
Changes in Net Position	268,907	27,058	(241,849)

## **FUND FINANCIAL STATEMENTS - THE DISTRICT'S MOST SIGNIFICANT FUNDS**

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's capitalization policy sets our capitalization amount at \$5000. The district's capital assets include land, buildings, buses and other vehicles, and other major equipment. Net capital assets for the District have increased by \$34,033.

The District does have outstanding general obligation bonds. In October 2007, the voters in the Bigfork Elementary School District authorized the issue and sale of general obligation bonds in the principal amount of \$5.5 million for the purpose of providing funds to pay the costs of designing, constructing, furnishing, and equipping improvements to the elementary school facilities and to make site improvements. Bonds were sold in November 2008: General Obligation Bonds, Series 2008). Final payment will be in July 2023.

## **THE FUTURE OF THE DISTRICT**

The Fall enrollment report completed in October 2014 shows that our overall elementary enrollment has increased by 16 students. K-6 enrollment increased by 6 students and grade 7 & 8 enrollment increased by 10 students. Our high school enrollment has increased for the third year. In the previous 6 years the high school enrollment had shown significant decreases. Enrollment in October 2014 shows the high school enrollment has increased by 10 students.

ENROLLMENT	Fall 2014	2013-14	2012-13	2011-12
Elementary School (total)	556	540	523	502
K-6	422	416	397	389
7 & 8	134	124	126	113
High School	296	286	272	255

Special Education continues to be a major expenditure. The cost of providing the required educational programs exceeds the state special education funding, the required local match, and Federal Part B funding that we receive. The result is a decrease in funding available for the general education program. The Elementary special education expenses exceeded funds available by \$71,931.03 and the High School special education expenses exceeded funds available by \$11,720.04. In FY 15 we have seen an increase in students with special needs and expect to see the district expenses increase.

SPECIAL EDUCATION	Elementary School	High School
State Allowable Cost	\$109,093.76	\$55,549.58
Required District Match	\$36,000.94	\$18,331.36
Federal Part B	\$113,210.00	\$54,304.00
<b>TOTALS</b>	<b>\$258,304.70</b>	<b>\$128,184.94</b>
District Expenses	\$330,235.73	\$139,904.98

General Funds continue to supplement food service expenses, this year with \$10,536. We believe the Food Service Fund will be self-sustaining in FY 15. In FY 14, expenditures in the Food Service Fund were \$209,581 and revenues were \$235,531. Efforts to decrease costs while at the same time increase revenues are working. We had a retirement and some staffing changes in the food service department that helped us as well as the board implemented a no-charge policy for school lunches.

Due to the age of our high school facility, we have begun Facility Committee meetings to consider the district's options. The board may decide to ask the public to approve a high school bond levy for renovations and additions in the near future.

Given increasing operational costs, an increase in sustainable funding will be necessary to maintain desired staff levels and programs and to continue the District's desire to improve teacher salaries and keep class sizes low. Should funding levels not increase to a sufficient level, staff will have to be reduced thus increasing class sizes and requiring a cut back in programs. Since school funding levels are decided bi-annually by the state legislature, the future of school funding is still uncertain.

**For more information:**

Bigfork School District  
600 Commerce  
PO Box 188  
Bigfork, Montana 59911

Superintendent: Matthew Jensen, 406-837-7400, [mattj@bigfork.k12.mt.us](mailto:mattj@bigfork.k12.mt.us)

Business Manager: Lacey Porrovecchio, 406-837-7400, [lporrovecchio@bigfork.k12.mt.us](mailto:lporrovecchio@bigfork.k12.mt.us)

**Bigfork Public Schools, Flathead County, Montana**  
**MD & A Comparisons**  
**June 30, 2014**

**Table 1 - Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY14</u></b>	<b><u>FY13</u></b>	<b><u>Change Inc (Dec)</u></b>
Current and other assets	\$ 2,106,796	\$ 2,352,735	\$ (245,939)
Capital assets	7,293,272	7,259,239	34,033
Total assets	<u>\$ 9,400,068</u>	<u>\$ 9,611,974</u>	<u>\$ (211,906)</u>
Long-term debt outstanding	\$ 4,662,262	\$ 4,947,976	\$ (285,714)
Other liabilities	149,045	124,168	24,877
Total liabilities	<u>\$ 4,811,307</u>	<u>\$ 5,072,144</u>	<u>\$ (260,837)</u>
Invested in capital assets, net of debt	\$ 3,533,272	\$ 3,159,239	\$ 374,033
Restricted	1,131,360	1,366,343	(234,983)
Unrestricted (deficit)	(75,871)	14,248	(90,119)
Total net position	<u><u>\$ 4,588,761</u></u>	<u><u>\$ 4,539,830</u></u>	<u><u>\$ 48,931</u></u>

**Bigfork Public Schools, Flathead County, Montana**  
**MD & A Comparisons**  
**June 30, 2014**

**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY14</u></b>	<b><u>FY13</u></b>	<b><u>Change Inc (Dec)</u></b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 120,998	\$ 95,963	\$ 25,035
Operating grants and contributions	1,185,024	1,171,286	13,738
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,323,739	3,207,789	115,950
Grants and entitlements not restricted to specific programs	2,573,953	2,421,840	152,113
Investment earnings	10,384	9,983	401
Miscellaneous (other revenue)	103,714	9,078	94,636
State entitlement (block grants)	316,334	326,024	(9,690)
State technology	11,016	5,411	5,605
County retirement	726,082	679,671	46,411
Total revenues	<u>\$ 8,371,244</u>	<u>\$ 7,927,045</u>	<u>\$ 444,199</u>
<b>Program expenses</b>			
Instructional - regular	\$ 4,110,070	\$ 3,704,015	\$ 406,055
Instructional - special education	643,402	381,382	262,020
Instructional - vocational education	50,472	137,646	(87,174)
Supporting services - operations & maintenance	722,834	683,489	39,345
Supporting services - general	249,374	339,609	(90,235)
Supporting services - educational media services	168,387	192,959	(24,572)
Administration - general	216,521	182,067	34,454
Administration - school	405,361	366,928	38,433
Administration - business	261,352	235,476	25,876
Student transportation	647,863	588,314	59,549
Extracurricular	249,284	201,103	48,181
School food	226,788	246,937	(20,149)
Debt service expense - interest	140,041	150,554	(10,513)
Unallocated depreciation*	252,437	247,659	4,778
Total expenses	<u>\$ 8,344,186</u>	<u>\$ 7,658,138</u>	<u>\$ 686,048</u>
<b>Increase (decrease) in net position</b>	<u>\$ 27,058</u>	<u>\$ 268,907</u>	<u>\$ (241,849)</u>

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended 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.

## **Change in Accounting Principle**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 6, 34 through 35, and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, on our consideration of the Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and compliance.

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

March 2, 2015

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	1,668,989
Taxes and assessments receivable, net		206,992
Due from other governments		230,815
Total current assets	\$	2,106,796
Noncurrent assets		
Capital assets - land	\$	11,696
Capital assets - depreciable, net		7,281,576
Total noncurrent assets	\$	7,293,272
Total assets	\$	9,400,068
<b>LIABILITIES</b>		
Current liabilities		
Accrued payroll	\$	149,045
Current portion of long-term liabilities		7,000
Current portion of long-term capital liabilities		355,000
Current portion of compensated absences payable		135,822
Total current liabilities	\$	646,867
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	455,880
Noncurrent portion of long-term capital liabilities		3,405,000
Noncurrent portion of compensated absences		303,560
Total noncurrent liabilities	\$	4,164,440
Total liabilities	\$	4,811,307
<b>NET POSITION</b>		
Net investment in capital assets	\$	3,533,272
Restricted for capital projects		297,850
Restricted for debt service		44,125
Restricted for special projects		789,385
Unrestricted		(75,871)
Total net position	\$	4,588,761

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>			<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
<u>Primary government:</u>	<u>Expenses</u>			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:					<u>Governmental Activities</u>	
Instructional - regular	\$ 4,110,070	\$	37,086	\$	384,699	\$ (3,688,285)
Instructional - special education	643,402		-		319,374	(324,028)
Instructional - vocational education	50,472		-		25,345	(25,127)
Supporting services - operations & maintenance	722,834		-		-	(722,834)
Supporting services - general	249,374		-		101,658	(147,716)
Supporting services - educational media services	168,387		-		-	(168,387)
Administration - general	216,521		-		-	(216,521)
Administration - school	405,361		-		-	(405,361)
Administration - business	261,352		-		-	(261,352)
Student transportation	647,863		-		202,479	(445,384)
Extracurricular	249,284		-		-	(249,284)
School food	226,788		83,912		151,469	8,593
Debt service expense - interest	140,041		-		-	(140,041)
Unallocated depreciation*	252,437		-		-	(252,437)
Total primary government	\$ 8,344,186	\$	120,998	\$	1,185,024	\$ (7,038,164)
General Revenues:						
					\$	3,323,739
					\$	2,573,953
						10,384
						103,714
						316,334
						11,016
						726,082
					\$	7,065,222
					\$	27,058
Net position - beginning						
					\$	4,539,830
						21,873
					\$	4,561,703
Net position - end						
					\$	4,588,761

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

**Bigfork Public Schools, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 719,991	\$ 948,998	\$ 1,668,989
Taxes and assessments receivable, net	154,869	52,123	206,992
Due from other governments	60,067	170,748	230,815
Total assets	\$ 934,927	\$ 1,171,869	\$ 2,106,796
Current liabilities:			
Accrued payroll	\$ 108,529	\$ 40,516	\$ 149,045
Total liabilities	\$ 108,529	\$ 40,516	\$ 149,045
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	\$ 154,869	\$ 52,123	\$ 206,992
<b>FUND BALANCES</b>			
Restricted	\$ -	\$ 1,082,227	\$ 1,082,227
Assigned	164,507	-	164,507
Unassigned fund balance	507,022	(2,997)	504,025
Total fund balance	\$ 671,529	\$ 1,079,230	\$ 1,750,759

See accompanying Notes to the Financial Statements

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

<b>Total fund balances - governmental funds</b>	\$	1,750,759
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,293,272
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		206,992
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(4,662,262)
<b>Total net position - governmental activities</b>	\$	<u><u>4,588,761</u></u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local revenue	\$ 2,476,894	\$ 1,095,368	\$ 3,572,262
County revenue	-	800,580	800,580
State revenue	3,047,619	220,570	3,268,189
Federal revenue	-	676,471	676,471
Total revenues	<u>\$ 5,524,513</u>	<u>\$ 2,792,989</u>	<u>\$ 8,317,502</u>
<b>EXPENDITURES</b>			
Instructional - regular	\$ 3,066,727	\$ 983,390	\$ 4,050,117
Instructional - special education	322,627	320,775	643,402
Instructional - vocational education	-	50,472	50,472
Supporting services - operations & maintenance	665,455	46,043	711,498
Supporting services - general	218,527	30,356	248,883
Supporting services - educational media services	151,417	16,970	168,387
Administration - general	172,381	44,140	216,521
Administration - school	355,570	49,791	405,361
Administration - business	216,477	44,875	261,352
Student transportation	57,401	522,885	580,286
Extracurricular	182,740	65,759	248,499
School food	10,536	216,252	226,788
Debt service expense - principal	-	340,000	340,000
Debt service expense - interest	-	140,041	140,041
Capital outlay	137,644	201,715	339,359
Total expenditures	<u>\$ 5,557,502</u>	<u>\$ 3,073,464</u>	<u>\$ 8,630,966</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (32,989)</u>	<u>\$ (280,475)</u>	<u>\$ (313,464)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 150,950	\$ 150,950
Transfers out	<u>(38,000)</u>	<u>(112,950)</u>	<u>(150,950)</u>
Total other financing sources (uses)	<u>\$ (38,000)</u>	<u>\$ 38,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (70,989)</u>	<u>\$ (242,475)</u>	<u>\$ (313,464)</u>
Fund balances - beginning	\$ 727,369	\$ 1,318,680	\$ 2,046,049
Restatements	15,149	3,025	18,174
Fund balances - beginning, restated	<u>\$ 742,518</u>	<u>\$ 1,321,705</u>	<u>\$ 2,064,223</u>
Fund balance - ending	<u>\$ 671,529</u>	<u>\$ 1,079,230</u>	<u>\$ 1,750,759</u>

See accompanying Notes to the Financial Statements

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

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

**Net change in fund balances - total governmental funds** \$ (313,464)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	339,359
- Depreciation expense	(338,293)

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

- Donated capital assets	29,268
- Long-term receivables (deferred revenue)	24,474

The change in compensated absences is shown as an expense in the Statement of Activities (56,179)

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

- Long-term debt principal payments	340,000
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Termination benefits, beginning of the year	126,000
- Termination benefits, end of the year	(28,000)
- Post-employment benefits other than retirement liability	(96,107)

**Change in net position - Statement of Activities** \$ 27,058

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$	112,517	\$	169,735
Total assets	\$	<u>112,517</u>	\$	<u>169,735</u>
<b>LIABILITIES</b>				
Warrants payable	\$	-	\$	169,735
Total liabilities	\$	<u>-</u>	\$	<u>169,735</u>
<b>NET POSITION</b>				
Assets held in trust	\$	<u>112,517</u>		

See accompanying Notes to the Financial Statements

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

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	<u>123,955</u>
Total additions	\$	<u>123,955</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	<u>118,193</u>
Total deductions	\$	<u>118,193</u>
Change in net position	\$	<u>5,762</u>
 Net Position - Beginning of the year	 \$	 106,755
 Net Position - End of the year	 \$	 <u><u>112,517</u></u>

See accompanying Notes to the Financial Statements

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

*Primary Government*

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

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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

*Government-wide Financial Statements:*

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Fund Financial Statements:**

*Basis of Presentation*

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

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

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

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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

Major Funds:

The District reports the following major governmental funds:

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

***Fiduciary Funds***

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

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

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

*Claims and Payroll Clearing Funds* - These funds are agency funds used for the clearing of warrants.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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

**Cash Composition**

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014, consisted of certificates of deposits, Federal Home Loan, Federal National Mortgage Association and U.S. Government Securities. The Flathead County Investment pool is unrated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 South Main Street, Kalispell, MT 59901. Fair value approximates carrying value for investments as of June 30, 2014. The investment pool is not rated.

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

**Deposits**

The District's deposit balance at year end was \$112,516 and the bank balance was \$116,070. The District's deposits at year-end were 100% insured by FDIC.

**NOTE 3. RECEIVABLES**

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

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. INVENTORIES**

The cost of inventories are recorded as an expenditure when purchased.

**NOTE 5. CAPITAL ASSETS**

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

Buildings	20 - 50 years
Improvements	20 - 50 years
Equipment	5 - 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

**BIGFORK PUBLIC SCHOOLS**  
**FLATHEAD COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Donations/ Restatements</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 11,696	\$ -	\$ -	\$ 11,696
Other capital assets:				
Buildings	\$ 10,146,350	\$ 72,642	\$ -	\$ 10,218,992
Improvements other than buildings	27,440	-	29,268	56,708
Machinery and equipment	1,879,092	266,717	-	2,145,809
Total other capital assets at historical cost	\$ 12,052,882	\$ 339,359	\$ 29,268	\$ 12,421,509
Less: accumulated depreciation	\$ (4,805,339)	\$ (338,293)	\$ 3,699	\$ (5,139,933)
Total	<u>\$ 7,259,239</u>	<u>\$ 1,066</u>	<u>\$ 32,967</u>	<u>\$ 7,293,272</u>

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

Governmental Activities:	
Instructional - regular	\$ 5,667
Supporting services - operations & maintenance	491
Operations & maintenance	11,336
Student transportation	67,577
Extracurricular	785
Unallocated depreciation	<u>252,437</u>
Total governmental activities depreciation expense	<u>\$ 338,293</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

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

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

**BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
General obligation bonds	\$ 4,100,000	\$ -	\$ (340,000)	\$ 3,760,000	\$ 355,000	
Compensated absences	383,203	56,179	-	439,382	135,822	
Reitree Liability	126,000	-	(98,000)	28,000	7,000	
Other post-employment benefits*	338,773	96,107	-	434,880	-	
Total	<u>\$ 4,947,976</u>	<u>\$ 152,286</u>	<u>\$ (438,000)</u>	<u>\$ 4,662,262</u>	<u>\$ 497,822</u>	

\*See Note 7

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

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

<u>Purpose</u>	<u>Origination</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity</u>	<u>Principal</u>	<u>Annual</u>	<u>Balance</u>
	<u>Date</u>			<u>Date</u>	<u>Amount</u>	<u>Payment</u>	<u>June 30, 2014</u>
Elementary Building, Series 2008	2/28/08	3.05-5.00%	15 yrs	7/1/23	\$ <u>5,500,000</u>	Varies	\$ <u>3,760,000</u>

Annual requirement to amortize debt:

For Fiscal			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 355,000	\$ 155,252	
2016	370,000	141,762	
2017	380,000	127,332	
2018	400,000	112,132	
2019	415,000	95,932	
2020	430,000	78,710	
2021	450,000	60,650	
2022	470,000	41,525	
2023	490,000	21,320	
Total	<u>\$ 3,760,000</u>	<u>\$ 834,615</u>	

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

**Special Retirement Benefits**

The District offered early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The incentive offered certified staff in fiscal year ending June 30, 2012 was a cash payment of \$21,000 to be paid over three years beginning in fiscal year ended June 30, 2013. The District had 6 employees participating in this incentive. In addition, the District offered an administrative employee cash payment of \$49,000 to be paid over seven years beginning in fiscal year ended June 30, 2013. The District recorded a liability of \$28,000 for retirement incentives due as of June 30, 2014.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The Bigfork School District has a single-employer defined benefit healthcare plan administered by Allegiance Benefit Plan Management. Bigfork School District provides medical benefits to eligible retirees and their spouses.

Retirees of Bigfork School District #38 and their eligible dependents shall be eligible under this plan if the retiree satisfies one of the following conditions.

1. The retired person was an eligible covered employee under this plan on the day immediately before the date of retirement and retired pursuant to the terms of the Montana Teachers Retirement System or Public Employees Retirement laws and is eligible for coverage pursuant to the terms of 2-181-704, MCA, as amended from time to time.
2. The retired person was an eligible covered employee under this plan on the day immediately before the date of retirement, was not eligible for retirement under the terms of 2-18-407, MCA, but was eligible for retirement under the terms and conditions of the employment policies and practices of the Member Group with which the person was employed on the day immediately before retirement.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The plan does not issue a stand alone financial report.

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

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

Annual Required Contribution (ARC)	\$	96,107
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	96,107
Contributions made		-
		-
Increase in net OPEB obligation	\$	96,107
Net OPEB obligation - beginning of year		338,773
Net OPEB obligation - end of year	\$	434,880

*Funded Status and Funding Progress.* As of July 1, 2012 the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability (AAL) for benefits was \$742,127, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$742,127.

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

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

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

The actuarial assumptions include a:

4.25%	Investment/discount rate
2.5%	Projected payroll increases
45%	Of future retirees are assumed to elect coverage at the time of retirement
48%	Of future eligible spouses of future retirees are assumed to elect medical coverage

The actuarial assumption also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2015</u>
Medical and prescription drugs	10%	8.0%

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

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

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Maintenance of Comp Absences reserve fund	EL Compensated Absences – Nonmajor Governmental	General – Major Governmental	\$ 10,000
Safety and security improvements	EL Building Reserve – Nonmajor Governmental	EL Transportation – Nonmajor Governmental	33,000
Joint expenditure reimbursement	EL Interlocal Agreement – Nonmajor Governmental	General – Major Governmental	20,000
Maintenance of Comp Absences reserve fund	HS Compensated Absences – Nonmajor Governmental	General – Major Governmental	8,000
Safety and security improvements	HS Building Reserve – Nonmajor Governmental	HS Transportation – Nonmajor Governmental	33,000
Closing of debt service fund	HS Building Reserve – Nonmajor Governmental	HS Debt Service – Nonmajor Governmental	<u>46,950</u>
			<u>\$ 150,950</u>

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

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

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

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

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

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

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

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

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

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

	<u>PERS</u>	<u>TRS</u>
2012	\$ 52,328	\$ 247,721
2013	\$ 53,381	\$ 272,795
2014	\$ 60,932	\$ 301,860

**NOTE 10. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

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

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

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
All other aggregate:	\$ 231,659	Student transportation services
	33,198	Instructional services
	234,804	Employer retirement benefits
	239,439	Third party grantor requirements
	27,643	Supporting services
	18,161	Debt service
	98,200	Capital projects
	172,946	Building maintenance
	24,178	School food
	<u>1,999</u>	Operations and maintenance
Total	<u>\$ 1,082,227</u>	

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**Other Significant Commitments**  
 Encumbrances

<u>Fund</u>	<u>Amount of</u> <u>Encumbrance</u>
General	\$ <u>164,507</u>

**NOTE 12. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
EL Tuition	\$ (246)	Delinquent taxes	Future tax revenues
EL Debt Service	\$ (2,744)	Delinquent taxes	Future tax revenues

**NOTE 13. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
EL General	\$ 8,155	Prior period revenue
HS General	6,994	Prior period revenue
EL Transportation	1,090	Prior period revenue
HS Transportation	1,090	Prior period revenue
EL Miscellaneous	123	Prior period revenue
HS Miscellaneous	587	Prior period revenue
HS Traffic Education	135	Prior period revenue
Government-Wide – Governmental	<u>3,699</u>	Adjustment to prior years depreciation expense
	<u>\$ 21,873</u>	

**NOTE 14. JOINT VENTURES**

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

The District is a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. Separate financial statements are available from the Flathead County Education Cooperative.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on the FY 98 ANB. Each District is charge a fee for each student participating in the program.

**NOTE 15. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

The District is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

**NOTE 16. RISK MANAGEMENT**

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

Insurance Policies:

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Insurance Pools:

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

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

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

**REQUIRED SUPPLEMENTAL  
INFORMATION**

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

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 2,498,055	\$ 2,498,055	\$ 2,476,574	\$ (21,481)
State revenue	2,991,114	2,991,114	3,009,958	18,844
Amounts available for appropriation	<u>\$ 5,489,169</u>	<u>\$ 5,489,169</u>	<u>\$ 5,486,532</u>	<u>\$ (2,637)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 3,056,087	\$ 2,951,214	\$ 3,096,950	\$ (145,736)
Instructional - special education	297,619	228,655	322,627	(93,972)
Instructional - vocational education	1,000	164,145	-	164,145
Supporting services - operations & maintenance	661,208	665,496	663,409	2,087
Supporting services - general	223,044	254,522	218,527	35,995
Supporting services - educational media services	160,947	209,360	151,387	57,973
Administration - general	240,180	168,387	167,008	1,379
Administration - school	346,886	348,666	348,670	(4)
Administration - business	220,854	207,625	207,623	2
Student transportation	60,571	57,398	57,401	(3)
Extracurricular	198,773	190,095	190,097	(2)
School food	22,000	10,536	10,536	-
Capital outlay	-	13,912	13,912	-
Total charges to appropriations	<u>\$ 5,489,169</u>	<u>\$ 5,470,011</u>	<u>\$ 5,448,147</u>	<u>\$ 21,864</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ (38,000)	\$ (38,000)	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 385</u>	
Fund balance - beginning of the year			\$ 464,248	
Restatements			<u>15,149</u>	
Fund balance - beginning of the year - restated			<u>\$ 479,397</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 479,782</u></u>	

**Bigfork Public Schools, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<b>General</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,486,532
Combined funds (GASBS 54) revenues	37,981
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 5,524,513
<b>Uses/Outflows of resources</b>	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,448,147
Combined funds (GASBS 54) expenditures	64,227
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	
- Encumbrances reported at the beginning of the year	209,635
- Encumbrances reported at the end of the year	(164,507)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 5,557,502

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 549,837	\$ 549,837	0%	\$ 3,454,921	15.9%
July 1, 2012		\$ 742,127	\$ 742,127	0%	\$ 4,256,856	17.4%

Changes in plan provisions Effective July 1, 2011

Changed vendors and plans offered

Preexisting condition waiting period has been waived

Fully-covered in-Network Preventive Benefits have been implemented

Comprehensive Life Maximum has been removed

Definition of eligible dependent has changed

## **SUPPLEMENTAL INFORMATION**

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

**Fall Enrollment - October, 2013**

**Elementary School District**

	<b>FALL Per Enrollment Reports</b>	<b>Audit Per District Records</b>	<b>Difference</b>
Kindergarten Full	64	64	0
Grades 1-6	350	350	0
Grades 7-8	123	123	0
Total Elementary	537	537	0

**Part-time Students**

	Per Enrollment Reports				Audit per District Records				Difference
	Grade	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	
7-8	0	0	1	0	0	0	1	0	0

**High School District**

	<b>FALL Per Enrollment Reports</b>	<b>Audit Per District Records</b>	<b>Difference</b>
Grades 9-12	285	284	-1

**Part-time Students**

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

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

**Winter Enrollment - December, 2013**

**Elementary School District**

	<b>Winter Per Enrollment <u>Reports</u></b>	<b>Audit Per <u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten Full	66	66	0
Grades 1-6	354	354	0
Grades 7-8	126	126	0
Total Elementary	546	546	0

**Part-time Students**

	Per Enrollment Reports				Audit per District Records				Difference
	Grade	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	
1-6	0	0	0	1	0	0	0	1	0
7-8	0	0	1	0	0	0	1	0	0

**High School District**

	<b>Winter Per Enrollment <u>Reports</u></b>	<b>Audit Per <u>District Records</u></b>	<b><u>Difference</u></b>
Grades 9-12	286	286	0

**Part-time Students**

	Per Enrollment Reports				Audit per District Records				Difference
	Grade	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	
9-12	0	4	2	0	0	4	2	0	0

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

**Spring Enrollment - February, 2014**

**Elementary School District**

	<b>SPRING</b>	<b>Audit Per</b>	<b>Difference</b>
	<b>Per Enrollment</b>	<b>District Records</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Kindergarten - Full	65	65	0
Grades 1-6	349	349	0
Grades 7-8	122	122	0
Total Elementary	536	536	0

**Part-time Students**

	Per Enrollment Reports				Audit per District Records				Difference
	Grade	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	
1-6	0	0	0	1	0	0	0	1	0
7-8	0	0	1	0	0	0	1	0	0

**High School District**

	<b>SPRING</b>	<b>Audit Per</b>	<b>Difference</b>
	<b>Per Enrollment</b>	<b>District Records</b>	
	<b><u>Reports</u></b>	<b><u>District Records</u></b>	<b><u>Difference</u></b>
Grades 9-12	286	286	0

**Part-time Students**

	Per Enrollment Reports				Audit per District Records				Difference
	Grade	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	
9-12	0	5	0	0	0	5	0	0	0

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ELEMENTARY FUND ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Art Fund	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Athletics	(2,634)	1,829	5,220	-	(6,025)
Band	1,564	96	477	(44)	1,139
Bank fees	165	12	45	44	176
Eighth Grade	112	-	-	-	112
Enrichment	606	-	-	-	606
Fifth Grade	40	-	-	-	40
Fourth Grade	5,100	5,143	2,754	-	7,489
General	721	1,313	1,125	75	984
Grade School	14	-	-	-	14
Japan	(2)	-	-	-	(2)
Library	1,329	151	-	-	1,480
Middle School Choir	154	-	-	-	154
Music Boosters	525	-	-	-	525
National Junior Honor	547	-	-	-	547
Needy Kids	358	1,285	1,137	(75)	431
Science	17	-	-	-	17
Second Grade	62	-	-	-	62
Seventh Grade	143	-	-	-	143
Sixth Grade	1,272	2,035	1,714	-	1,593
Student Council	818	668	555	307	1,238
Student Store	495	-	-	(307)	188
Technology	84	-	-	-	84
Third Grade	164	95	95	-	164
Trish Shults - FOBS	250	-	-	-	250
Yearbook	1,125	2,027	1,567	-	1,585
Ravenwood	1,084	-	-	-	1,084
Other Student Activities	6	-	-	-	6
<b>Total</b>	<b>\$ 15,143</b>	<b>\$ 14,654</b>	<b>\$ 14,689</b>	<b>\$ -</b>	<b>\$ 15,108</b>

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - HIGH SCHOOL ACCOUNTS**  
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
AFS	\$ 91	\$ -	\$ -	\$ 1,500	\$ 1,591
Art Club	990	162	104	-	1,048
Annual	2,154	14,210	11,842	300	4,822
Auto Shop	4,151	-	225	-	3,926
Auto Repair/Parts	5,591	-	-	-	5,591
Athletics	10,835	47,125	57,919	-	41
Band	2,825	10,437	6,971	-	6,291
Band Scholarship	855	-	400	-	455
Boys Basketball	7	5,860	1,617	-	4,250
Book Club	1,003	-	-	-	1,003
Bio Club	179	-	-	-	179
Cheerleaders	1,852	-	600	-	1,252
Choir	256	-	-	-	256
Class of 2014	2,036	-	836	(100)	1,100
Class of 2015	1,111	742	228	500	2,125
Class of 2016	758	80	-	500	1,338
Class of 2017	1,752	-	-	(1,000)	752
Alpine Club	517	-	-	-	517
Close Up	123	-	-	-	123
Pepsi #1	1,571	166	-	-	1,737
Pepsi #1F-SB	2,472	1,721	-	(2,000)	2,193
Pepsi #2-SC	4,155	1,721	-	-	5,876
Computer Club	386	-	-	-	386
Concessions	120	-	-	-	120
Cross Country	44	-	-	-	44
Drama	2,380	-	-	-	2,380
Family & Consumer	688	-	-	-	688
General Activities	1,138	1,827	1,591	-	1,374
Girls Basketball	3,267	-	1,649	-	1,618

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

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Golf	\$ 50	\$ -	\$ -	\$ -	\$ 50
Football Donations	2,694	1,370	3,013	-	1,051
Hiawatha Trail	733	-	-	-	733
Indoor Track	1,929	44	-	-	1,973
Library Club	667	-	9	-	658
National Honor Society	105	56	85	-	76
Newspaper	449	2,030	2,413	300	366
Scholarships	4,290	-	457	-	3,833
SADD	102	-	-	-	102
Science Club	3,576	290	-	169	4,035
Spanish Club	27	243	243	(169)	(142)
Soccer	1,048	-	-	-	1,048
Speech	1,151	644	379	-	1,416
Stand	75	-	-	-	75
Student Council	1,291	717	2,380	-	(372)
Student Store	662	-	-	-	662
Tennis Club	11	-	-	-	11
Tournament	12,133	7,971	-	-	20,104
Tennis Courts	25	-	-	-	25
Volleyball	6,088	10,265	10,519	-	5,834
Wood Shop	786	-	-	-	786
Wood Shop Club	350	-	-	-	350
Washington DC Trip	1	-	-	-	1
Young Deomocrates	60	-	-	-	60
Lit Magazine	-	2,200	25	-	2,175
Swimming	-	159	-	-	159
Wrestling	-	82	-	-	82
Total	\$ <u>91,610</u>	\$ <u>110,122</u>	\$ <u>103,505</u>	\$ <u>-</u>	\$ <u>98,227</u>

# **SINGLE AUDIT SECTION**

**Bigfork Public Schools, Flathead County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b><u>Federal Grantor/Pass-Through Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-Through Grantor's Number</u></b>	<b><u>Federal Expenditure June 30, 2014</u></b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Montana Office of Public Instruction:</i>			
School Breakfast Program	10.553	N/A	\$ 20,621
National School Lunch Program	10.555	N/A	123,446
National School Lunch Program - Commodities (1)	10.555	N/A	17,015
Child and Adult Care Food Program	10.558	N/A	6,529
<b>Total U.S. Department of Agriculture</b>			<b>\$ <u>167,611</u></b>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Montana Office of Public Instruction:</i>			
Title I Grants to Local Educational Agencies	84.010A	1503303113	\$ 11,834
Title I Grants to Local Educational Agencies	84.010A	1503303114	305,558
Rural Education (Title VI, Part B, Subpart 1, Small Rural Schools)	84.358A	S5358A041851	12,895
Rural Education (Title VI, Part B, Subpart 1, Small Rural Schools)	84.358A	S5358A041852	12,874
Career and Technical Education - Basic Grants to States	84.048A	1503318114BG	20,677
<i>Passed through Evergreen Public School:</i>			
Special Education - Grants to States (IDEA Part B)	84.027	1503397712	154,665
<b>Total U.S. Department of Education</b>			<b>\$ <u>518,503</u></b>
<b>Total Federal Financial Assistance</b>			<b>\$ <u>686,114</u></b>

N/A = Not Applicable or Not Available

(1) This amount represents the value of commodities received under the child nutrition cluster. Individual inventory categories or items were not valued. Therefore, it was not possible to determine the value of commodities used (expenditures) or the value of the beginning and ending inventory balances.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

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

Fiscal Year Ended June 30, 2014

*Basis of Presentation*

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

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

- *Food Commodities (value equals the assessed value provided by the federal agency)*  
\$17,015

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

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bigfork Public Schools' basic financial statements and have issued our report thereon dated March 2, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bigfork Public Schools, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Bigfork Public Schools' internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as items 2014-1 and 2014-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bigfork Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Bigfork Public Schools's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 2, 2015

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

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

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

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

March 2, 2015

BIGFORK PUBLIC SCHOOLS

FLATHEAD COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2014

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

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 2014-1 Student Activities Deposits

**Condition:**

Deposits were not made in a timely manner. Money received on 4/17/2014 had not been entered into the system until 5/13/2014.

**Context:**

All documentation was reviewed for the month of May. We reviewed date cash was received, documentation supporting incoming cash and receipt of cash into the system. We traced the cash received to the deposit on the bank statement.

**Criteria:**

The District should have controls in place to ensure timely deposit of all cash.

**Effect:**

Internal controls over cash is weak. At times, a large amount of cash could be sitting in the vault for multiple weeks.

**Cause:**

Cash was placed into the vault that took almost an entire month to be receipted into the system and deposited.

**Recommendation:**

We recommend that the District have procedures in place to ensure deposits are made on a weekly basis.

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

The high school will be entering deposits weekly. They will record the date funds are turned in to the office so they can better track it.

#### 2014-2 Enrollment

**Condition:**

We noted the attendance records for the high school 10th grade did not agree to numbers reported to OPI.

**Context:**

To ensure proper reporting to OPI we compare attendance records to the student counts submitted to OPI.

**Criteria:**

Good internal control procedures include review and reconciliation between the enrollment records submitted to OPI and the actual enrollment records.

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

**Effect:**

The enrollment numbers submitted to OPI are overstated by one in the high school fall count.

**Cause:**

Lack of good internal control procedures and policies regarding enrollment records.

**Recommendation:**

The District should establish internal control procedures that assure enrollment records are accurate. Accurate records ensure the ANB state funding amount is proper.

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

We will print and compare state reports and Schoolmaster reports and make sure they match before submitting to Maefairs. We now have an enrollment clerk dedicated to state reporting.

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

There were no federal award findings or questioned costs reported.

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
High School Activities Internal Controls	Repeated

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

March 2, 2015