

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

FINANCIAL STATEMENTS

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

(with Independent Auditor's Reports Thereon)

TERRY JAMES BURKE
Certified Public Accountant

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

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**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

Organization

June 30, 2014

Board of Trustees

Candace Hoppe..... Chairperson
Nathan Lopuch Vice-Chairperson
Michele A. Mitchell..... Trustee
Ryan Ludemann..... Trustee
Tom DiNoia..... Trustee

District Officials

Doug Ardiana District Superintendent
Carrie Ruff..... Business Manager
Erin Lipkind County Superintendent
Fred Van Valkenburg County Attorney

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Bonner Public School
Missoula County
Bonner, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bonner Public School, Missoula County, Bonner, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bonner Public School, Missoula County, Bonner, Montana, as of June 30, 2014, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparisons for the General and Transportation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 7 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

My audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the School's basic financial statements. The schedule of school district enrollment on page 27 and the schedule of the student activity on page 28 are supplementary information required by the State of Montana. These schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards.

In my opinion, the schedule of school district enrollment and the schedule of the student activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2015, on my consideration of the School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bonner Public School's internal control over financial reporting and compliance.



June 26, 2015



Bonner School District #14

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Bonner, MT 59823

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“Home of the Lumberjacks”

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ending June 30, 2014. Please read it along with the School's financial statements that begin on page 8.

Financial Highlights

The District's financial position has decreased as compared with the prior year with net assets decreasing \$24,034. The change is nominal and relates primarily to the net of purchases and depreciation of capital assets.

Using this Financial Report

The general format of this report is required by Statement No.34 of the Governmental Accounting Standards Board (GASB). 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 (pages 8 and 9) 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 (pages 10 and 11) present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds be disclosed individually in these financial statements. These statements provide detailed information about the District's general, transportation, and miscellaneous funds, which qualify as major funds. The fund statements report balances of the activities of the "major" funds separately and combines the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Also attached is a summarized financial report about the student activity fund, which the District oversees. The budgetary comparison statement on page 13 shows how actual expenditures compared to the original and final budgeted expenditures for the general and transportation funds.

The District as A Whole

One important question asked regarding the District's finances is: "Is the District better or worse off as a result of the year's activities?" Net position may serve over time as a useful indicator of a government's financial position. The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

District Net Position

Changes in the School's net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 877,218	\$ 897,716	\$ (20,498)	-2%
Capital Assets - Net	1,847,333	1,865,879	(18,546)	-1%
Total Assets	<u>2,724,551</u>	<u>2,763,595</u>	<u>(39,044)</u>	<u>-1%</u>
Current Liabilities	30,545	47,873	(17,328)	-36%
Non-current Liabilities	125,234	122,916	2,318	2%
Total Liabilities	<u>155,779</u>	<u>170,789</u>	<u>(15,010)</u>	<u>-9%</u>
Net Position	<u>\$ 2,568,772</u>	<u>\$ 2,592,806</u>	<u>\$ (24,034)</u>	<u>-1%</u>
Net Position				
Net Invested in Capital Assets	1,847,333	1,865,879	(18,546)	-1%
Restricted	542,895	572,365	(29,470)	-5%
Unrestricted	<u>178,544</u>	<u>154,562</u>	<u>23,982</u>	<u>16%</u>
Total Net Position	<u>\$ 2,568,772</u>	<u>\$ 2,592,806</u>	<u>\$ (24,034)</u>	<u>-1%</u>

As noted above, the change in net position is nominal.

Changes in program and general revenues were as follows:

	<u>2014</u>	#	<u>2013</u>	<u>Change</u>	<u>%</u>
Program Revenues:					
Federal Grants	\$ 385,403		\$ 370,602	\$ 14,801	4%
State Program Funding	208,752		107,064	101,688	95%
County Revenue	12,091		12,118	(27)	0%
Charges for Services	75,551		58,151	17,400	30%
Other	-		-	-	-
Total Program Revenue	<u>681,797</u>		<u>547,935</u>	<u>133,862</u>	<u>24%</u>
General Revenues:					
Property Taxes	750,562		699,792	50,770	7%
State Equalization	958,554		952,131	6,423	1%
Other State Revenue	769,418		858,536	(89,118)	-10%
County Revenue	315,782		306,669	9,113	3%
Investment Earnings	1,945		2,706	(761)	-28%
Other	<u>7,836</u>		<u>9,896</u>	<u>(2,060)</u>	<u>-21%</u>
Total General Revenues	<u>2,804,097</u>		<u>2,829,730</u>	<u>(25,633)</u>	<u>-1%</u>
Total Revenues	<u>\$ 3,485,894</u>		<u>\$ 3,377,665</u>	<u>\$ 108,229</u>	<u>3%</u>

The revenues remained consistent with previous year.

Changes in the School's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Expenses:				
Instruction	\$ 1,934,177	\$ 2,036,839	\$ (102,662)	-5%
Support Services	188,945	214,130	(25,185)	-12%
Media Services	187,706	180,123	7,583	4%
Administration	309,916	289,400	20,516	7%
Student Transportation	212,534	196,667	15,867	8%
Operation and Maintenance	319,346	289,322	30,024	10%
School Food	248,796	229,252	19,544	9%
Extracurricular	31,192	33,147	(1,955)	-6%
Depreciation - Unallocated	<u>77,316</u>	<u>73,918</u>	<u>3,398</u>	<u>5%</u>
Total Expenses	3,509,928	3,542,798	(32,870)	-1%
Less Program Revenues	<u>681,797</u>	<u>547,935</u>	<u>133,862</u>	<u>24%</u>
Net (Expenses) Revenues	(2,828,131)	(2,994,863)	166,732	-6%
Less General Revenues	<u>2,804,097</u>	<u>2,829,730</u>	<u>(25,633)</u>	<u>-1%</u>
Change in Net Position	\$ <u>(24,034)</u>	\$ <u>(165,133)</u>	\$ <u>141,099</u>	<u>-85%</u>

The School's total expenses remained consistent with previous year.

Capital Assets and Debt of the District

Capital assets increased by \$71,393 over the prior year. This relates primarily to a new storage building and equipment purchase. The change in long-term debt is shown in note 4.

Fund Financial Statements

The fund financial statements provide detailed information about the District's major funds and the District's fiduciary funds. Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined.

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

Total governmental fund balances decreased by \$34,155 in 2014 as compared to the government-wide decrease in net position of \$24,034 in 2014. The reconciliation between the two is explained on page 12. All budgeted fund expenditures were within authorized budgets.

The Future of the District

With present funding tied to State imposed budget caps and student enrollment, the District requested and was granted a bond by the voters that will cover building expansion and added security to the entrance of the school.

Contact for Additional Information

If you have questions about this report or need additional information, contact Carrie Ruff, Business Manager at Bonner Public School, P.O. Box 1004, Bonner, MT 59823 or by phone at (406) 258-6151.

Bonner Public School
Missoula County
Bonner, Montana
Statement of Net Position
June 30, 2014

Assets	
Current Assets	
Cash and Investments	\$ 792,408
Property Taxes Receivable	<u>84,810</u>
Total Current Assets	<u>877,218</u>
Non-Current Assets	
Capital Assets, Depreciable - Net	1,724,111
Capital Assets, Land	<u>123,222</u>
Capital Assets - Net	<u>1,847,333</u>
Total Assets	<u>2,724,551</u>
Liabilities	
Current Liabilities	
Long-Term Debt - Due Within One Year	<u>30,545</u>
Total Current Liabilities	<u>30,545</u>
Noncurrent Liabilities:	
Long-Term Debt - Due in More Than One Year	<u>125,234</u>
Total Liabilities	<u>155,779</u>
Net Position	
Net Investment in Capital Assets	1,847,333
Restricted	542,895
Unrestricted	<u>178,544</u>
Total Net Position	<u>\$ 2,568,772</u>

See Notes to Financial Statements.

Bonner Public School
Missoula County
Bonner, Montana
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenue			
Expenses	Charges For Services	Operating Grants	Capital Grants and Contributions	Net (Expense) Revenue
Government Operations				
Instruction:				
Regular Programs	\$ 1,427,496	\$	\$	\$ (1,427,496)
Other Programs	506,681		436,975	(69,706)
Support Services	188,945			(188,945)
Media Services	187,706			(187,706)
Administration	309,916			(309,916)
Transportation	212,534		24,181	(188,353)
Operation and Maintenance	319,346			(319,346)
School Food	248,796	75,551	145,090	(28,155)
Extracurricular	31,192			(31,192)
Depreciation Expense - Unallocated	77,316			(77,316)
Totals	\$ 3,509,928	\$ 75,551	\$ 606,246	\$ -
General Revenues				
District Property Taxes				750,562
State Equalization				958,554
Other State Revenue				769,418
County Revenue				315,782
Investment Earnings				1,945
Other				7,836
Total General Revenues				2,804,097
Change in Net Position				
				(24,034)
Net Position				
Beginning of the Year				2,592,806
End of the Year				\$ 2,568,772

See Notes to Financial Statements.

Bonner Public School
Missoula County
Bonner, Montana
Balance Sheet - Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Transpor- tation Fund</u>	<u>Miscel- laneous Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets					
Cash and Investments	\$ 263,725	\$ 49,726	\$ 95,584	\$ 383,373	\$ 792,408
Property Taxes	<u>63,646</u>	<u>19,087</u>	<u>-</u>	<u>2,077</u>	<u>84,810</u>
Total Assets	<u>\$ 327,371</u>	<u>\$ 68,813</u>	<u>\$ 95,584</u>	<u>\$ 385,450</u>	<u>\$ 877,218</u>
Deferred Inflow of Resources					
Deferred Property Taxes	\$ 63,646	\$ 19,087	\$ -	\$ 2,077	\$ 84,810
Total Deferred Inflows of Resources	<u>63,646</u>	<u>19,087</u>	<u>-</u>	<u>2,077</u>	<u>84,810</u>
Fund Balance					
Restricted	-	49,726	95,584	379,421	524,731
Assigned	14,576	-	-	3,952	18,528
Unassigned	<u>249,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,149</u>
Total Fund Balance	<u>263,725</u>	<u>49,726</u>	<u>95,584</u>	<u>383,373</u>	<u>792,408</u>
Total Deferred Inflow of Resources and Fund Balances	<u>\$ 327,371</u>	<u>\$ 68,813</u>	<u>\$ 95,584</u>	<u>\$ 385,450</u>	<u>\$ 877,218</u>

Reconciliation to the Statement of Net Position

Total fund balance reported above	\$ 792,408
Add capital assets not reported above	\$ 3,095,926
Less accumulated Depreciation	<u>(1,248,593)</u>
Less Liabilities not reported above:	
Compensated Absences	(87,273)
OPEB	(68,506)
Deferred Property Taxes	<u>84,810</u>
Net Position	<u>\$ 2,568,772</u>

See Notes to Financial Statements.

Bonner Public School
Missoula County
Bonner, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Transpor- tation Fund	Miscel- laneous Fund	Other Government Fund	Total
Revenues					
District Property taxes	\$ 557,543	\$ 174,210	\$ -	\$ 4,593	\$ 736,346
County Revenue	-	12,090		315,782	327,872
State Equalization Revenue	958,554	-	-	-	958,554
Other State Revenue	867,173	22,369	93,452	7,267	990,261
Federal	-	-	228,223	145,090	373,313
School Food Sales	-	-	-	75,551	75,551
Interest	1,079	101	-	765	1,945
Other	1,447	-	1,389	5,000	7,836
Total Revenues	<u>2,385,796</u>	<u>208,770</u>	<u>323,064</u>	<u>554,048</u>	<u>3,471,678</u>
Expenditures					
Current Operations:					
Instruction:					
Regular Programs	1,234,349	-	-	196,346	1,430,695
Other Programs	229,103	-	227,184	50,394	506,681
Support Services	89,469	-	86,285	13,191	188,945
Media Services	163,425	-	7,540	16,741	187,706
Administration	282,201	-	-	30,746	312,947
Transportation	-	208,579	-	3,955	212,534
Operation and Maintenance	291,801	-	143	25,510	317,454
School Food	469	-	-	245,817	246,286
Extracurricular	28,006	-	-	3,186	31,192
Capital Outlay	71,393	-	-	-	71,393
Total Expenditures	<u>2,390,216</u>	<u>208,579</u>	<u>321,152</u>	<u>585,886</u>	<u>3,505,833</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,420)	191	1,912	(31,838)	(34,155)
Fund Balance:					
Beginning of the Year	<u>268,145</u>	<u>49,535</u>	<u>93,672</u>	<u>415,211</u>	<u>826,563</u>
End of the Year	<u>\$ 263,725</u>	<u>\$ 49,726</u>	<u>\$ 95,585</u>	<u>\$ 383,373</u>	<u>\$ 792,408</u>

See Notes to Financial Statements.

**Bonner Public School
Missoula County
Bonner, Montana**

Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Excess (Deficiency) of Revenues Over Expenditures as Reported in the Government Funds Statement		\$	(34,155)
Revenues on the Statement of Activity not Included in Government Funds Statement:			
Decrease in Property Taxes Receivables			14,216
Expenses on the Statement of Activity not Included in the Government Funds Statement:			
Depreciation Expense	\$	(89,939)	
Other Post Employment Benefit Obligations		(10,929)	
Decrease in Compensated Absence Liability		<u>25,380</u>	(75,488)
Expenditures Reported in the Government Funds Statement not Included in the Statement of Activity:			
Capital Outlay			<u>71,393</u>
Change in Net Position Reported on the Statement of Activity		\$	<u>(24,034)</u>

See Notes to Financial Statements.

**Bonner Public School
Missoula County
Bonner, Montana**

Schedule of Revenues and Expenditures
Budget and Actual
General and Transportation Funds
For the Year Ended June 30, 2014

	-----General Fund-----		----Transportation-----	
	Original and Final Budget	Actual	Original and Final Budget	Actual
REVENUES				
District Property taxes	\$ 559,395	\$ 557,543	\$ 175,953	\$ 174,210
County	958,554	958,554	13,325	12,090
State Equalization	867,173	867,173	-	-
State Other	-	-	23,603	22,369
Interest	1,249	1,079	-	101
Other	292	1,447	-	-
	<u>2,386,663</u>	<u>2,385,796</u>	<u>212,881</u>	<u>208,770</u>
Total Revenues				
EXPENDITURES, ENCUMBRANCES AND TRANSFERS OUT				
Current Operations:				
Instruction:				
Regular Programs		1,241,008		-
Other Programs		229,103		-
Support Services		89,879		-
Media Services		163,344		-
Administration		278,298		-
Transportation		-		208,579
Operation and Maintenance		295,293		-
School Food		469		-
Extracurricular		28,006		-
Capital Outlay		71,393		-
		<u>2,397,503</u>		<u>2,396,794</u>
Total Expenditures, Encumbrances and Transfers out				
Change in Encumbrances		6,578		
		<u>2,397,503</u>		<u>2,390,216</u>
Total Expenditures				
EXCESS DEFICIENCY OF REVENUES OVER EXPENDITURES				
	\$ <u>(10,840)</u>	\$ <u>(4,420)</u>	\$ <u>(5,799)</u>	\$ <u>191</u>

See Notes to Budget and Actual Schedule.

**Bonner Public School
Missoula County
Bonner, Montana**

Statement of Fiduciary Net Position and
Statement of Changes in Fiduciary Net Position
As of and for the Year Ended June 30, 2014

	<u>Private Purpose Trust Fund</u>	<u>Student Activity Fund</u>	<u>Total Fiduciary Funds</u>
Fiduciary Net Position			
Assets:			
Cash	\$ 8,093	\$ 24,004	\$ 32,097
Net Assets Held in Trust:			
Student Activities	-	24,004	24,004
Student Scholarships	8,093	-	8,093
Total Net Assets	<u>\$ 8,093</u>	<u>\$ 24,004</u>	<u>\$ 32,097</u>
 Changes in Fiduciary Net Position			
Additions:			
Revenue from Student Activities	\$ -	\$ 31,960	\$ 31,960
Contributions	250	-	250
Investment Earnings	-	13	13
Total Additions	<u>250</u>	<u>31,973</u>	<u>32,223</u>
Deductions:			
Expenses of Student Activities	-	31,510	31,510
Student Scholarships	445	-	445
Total Deletions	<u>445</u>	<u>31,510</u>	<u>31,955</u>
Changes in Net Position Held in Trust	(195)	463	268
Net Position, Beginning of the Year	<u>8,288</u>	<u>23,541</u>	<u>31,829</u>
Net Position, End of the Year	<u>\$ 8,093</u>	<u>\$ 24,004</u>	<u>\$ 32,097</u>

See Notes to Financial Statements.

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

Notes to Financial Statements

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**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

A. Compliance with Generally Accepted Accounting Principles

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

B. Reporting Entity

The Bonner Public School is a third class district, providing elementary education from kindergarten through the eighth grade. All operations of the School are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees. Because the School is controlled by an elected governing board, is a separate legal entity, is not financially or fiscally dependent upon any other local government, or controlled by any other government, it is considered to be an independent reporting entity and has no component units.

C. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activity fund. The statement of net position reflects new wording and categories as required by Government Accounting and Standards Board (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds. These funds (except the fiduciary funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables. This change from previous years, when deferred property taxes were reported as a liability, results from the District's early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when due. 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.

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

GASB Statement No. 34 requires that the main operating fund of a government be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, the School reports the following major governmental funds:

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

Transportation Fund - The fund accounts for the School's student busing program.

Miscellaneous Fund - This fund accounts for federal and state grant reimbursement moneys received by the District.

The School also has two private-purpose trust funds, its extracurricular fund, which accounts for the student activities, and a scholarship fund, which provides scholarships to students.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Budgets

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. There were no budget amendments in 2014.

General fund budgets are based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board approves the final budget on or before the 15th of August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. Encumbrances for the general fund were \$7,998 in 2013 and \$14,576 in 2014.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. The miscellaneous program fund is not a budgeted fund.

E. Cash and Investments

State law permits investment of school district's funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program. Except for the student activity and the scholarship funds, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value.

F. Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable 50% on November 30 and 50% on May 31. Missoula County, at no charge to the taxing authorities, bills and collects all property taxes. Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred revenue. Uncollectible property taxes are not considered to be material and no allowance for uncollectible receivables is recorded.

G. Inventories

Inventories are valued at specific cost. The cost of inventories is recorded as an expenditure at the time individual inventory items are purchased (purchases method). Inventories on hand at year end, if material, are offset by a fund balance reserve.

H. Capital Assets

Capital assets are carried at cost or estimated cost if actual cost is not available. Fixed asset purchases are recorded as expenditures in the School's funds. Proceeds from the sale of School assets are reported as revenue in other funds. Major additions and betterments are recorded as additions to fixed assets. Repairs, maintenance, and minor additions (equipment costing less than \$5,000) are not capitalized.

Note 1 – Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method and the estimated useful lives follows:

Buildings	25 - 50 years
Building Improvements	7 - 30 years
Site Improvements	20 years
Machinery and Equipment.....	5 - 20 years
Vehicles	8 - 15 years

I. Warrants Payable

Disbursements are made by warrants which are demands for payment drawn on the County Treasurer. Outstanding warrants are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

J. Deferred Property Tax Revenue

Deferred property tax revenue, categorized as a deferred inflow of resources in the government fund financial statements, consists of property taxes receivable, as discussed above. In addition, revenue from certain federal programs is deferred, when applicable.

K. Compensated Absences

Full-time non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Non-teaching District employees who work less than 260 days per year or less than 8 hours per day earn leave on a prorated basis according to the days or hours worked. The School's liability for vacation pay is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is earned at the rate of 12 days per year for district non-teaching employees and at the rate of ten days per year for principals with no limit on the carry-over amount. Upon retirement or resignation, employees are paid for 100% of unused vacation leave and 25% of unused sick leave for non-teaching employees and 25% for a maximum accumulation of 100 days of unused sick leave for principals. Upon termination, all payments are made at the employee's current rate of pay.

L. Estimated Retiree Health Care Costs

A liability and expense is recorded for the cost of allowing retirees to participate in the School's group health insurance plan at the same level premium as is paid for its active employees. The level premium paid by retirees is lower than what age-rated premiums would cost and the difference is subsidized by other plan premium payers and results in an "implicit rate subsidy". The School pays for all of its care coverage on a pay-as-you-go basis.

M. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The School participates in the Missoula County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with State law. Interest earnings are distributed monthly and allocated to the School based on month-end cash balances. Funds are withdrawn as needed to pay warrants. It is not practical for the School to determine investment risk (including amounts invested in financial derivatives), insurance coverage or collateral for its share of the pooled investments in the County Treasurer's program. Information on the County's investment pool can be obtained from the County's annual financial report (Missoula County Treasurer's Office, 200 West Broadway, Missoula, Montana 59802).

Student activity trust and scholarship funds are deposited in FDIC insured bank accounts.

3. CHANGES IN CAPITAL ASSETS

The changes in capital assets during 2014 were as follows:

	Balance June 30, 2013	Additions	Deletions/ Adjustments	Balance June 30, 2014
Cost of Assets				
Land	\$ 123,222	\$ -	\$ -	\$ 123,222
Buildings and Improvements	2,614,621	36,115	-	2,650,736
Equipment and Vehicles	286,690	35,278	-	321,968
Total	<u>3,024,533</u>	<u>71,393</u>	<u>-</u>	<u>3,095,926</u>
Accumulated Depreciation				
Buildings and Improvements	(1,042,524)	(69,602)	-	(1,112,126)
Equipment and Vehicles	(116,130)	(20,337)	-	(136,467)
Total	<u>(1,158,654)</u>	<u>(89,939)</u>	<u>-</u>	<u>(1,248,593)</u>
Net capital assets	<u>\$ 1,865,879</u>	<u>\$ (18,546)</u>	<u>\$ -</u>	<u>\$ 1,847,333</u>

Depreciation was charged to the District's programs as follows:

Supporting Services - Operation & Maintenance	\$ 7,518
Administration - School	1,515
Administration - General	1,080
School Food	2,510
Unallocated	77,316
Total	<u>\$ 89,939</u>

4. LONG-TERM DEBT

Changes in long-term debt during 2014 are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 112,653	\$ -	\$ (25,380)	\$ 87,273	\$ 30,545
OPEB	57,577	10,929		68,506	-
Total	<u>\$ 170,230</u>	<u>\$ 10,929</u>	<u>\$ (25,380)</u>	<u>\$ 155,779</u>	<u>\$ 30,545</u>

Compensated Absences - The payable represents vacation and sick leave earned by employees which is payable upon termination. Vacation pay is classified as compensated absences due within one year and accrued sick leave is classified as non-current.

5. GOVERNMENT-WIDE RESTRICTED NET POSITION

Restricted Net Position – Consists of net position with constraints placed on the use either by (a.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b.) law through constitutional provisions or enabling legislations. The District applies restricted resources first to expenses when both restricted and unrestricted net position are available.

These funds and their net position at June 30, 2014 are as follows:

Transportation	\$ 68,812
School Food	15,021
Tuition	91
Retirement	64,675
Miscellaneous	95,584
Adult Education	26,258
Compensated Absences	6,208
Technology	57,915
Debt Service	83,190
Building	58,696
Building Reserve	66,445
Total Restricted Net Position	<u>\$ 542,895</u>

6. GOVERNMENT FUND BALANCE REPORTING

The District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the District spends committed first, then assigned, and lastly, unassigned funds.

Committed funds must be so designated by the School Board and assigned funds are designated by the Superintendent as authorized by the School Board. There were no committed funds at June 30, 2014.

6. GOVERNMENT FUND BALANCE REPORTING (Continued)

Restricted for expenditures related to:

Fund		Purpose
Transportation	\$ 49,726	Student Transportation - Voted Levy
School Food	15,020	School Food
Tuition	91	Instruction - Voted Levy
Retirement	64,675	Retirement - Voted Levy
Miscellaneous	95,584	Instruction - Grant Proceeds
Adult Education	28,600	Instruction - Voted Levy
Compensated Absences	6,208	Compensated Absences
Technology	57,915	Maintenance of Technology Equipment - Voted Levy
Debt Service	81,771	Bond Payment- Voted Levy
Building	58,696	Building Needs
Building Reserve	66,445	Building or Construction- Voted Levy
Total Restricted Fund Balance	<u>\$ 524,731</u>	

Assigned Fund Balance consists of:

Fund		
General Fund	\$ 14,576	Encumbrances
Flexibility	<u>3,952</u>	Retirement or Building Needs
Total Assigned Fund Balance	<u>\$ 18,528</u>	

Unassigned Fund Balance consists of:

Fund	
General Fund	\$ 249,149

7. RETIREMENT PLANS

The School participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees.

The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates for both plans are required and determined by State law. There were changes to the plans or the required contribution rates in 2014.

The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS	8.470%	8.150%	2.49%	19.110%
MPERS	7.800%	7.900%	0.37%	16.070%

The amounts contributed to MTRS and MPERS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by the District were as follows:

7. RETIREMENT PLANS (Continued)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
MTRS	\$ 115,522	\$ 192,975	\$ 131,414
MPERS	19,132	20,666	22,366
Total	<u>\$ 134,654</u>	<u>\$ 213,641</u>	<u>\$ 153,780</u>

During 2013, teachers took advantage of an early retirement incentive which required the District to pay an additional contribution of \$72,864.

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

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

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

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

8. POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description – The School District's health care is covered through Blue Cross and Blue Shield, a fully insured health care plan. The District provides medical benefits to eligible retirees and their spouses. Retirees of the District and their eligible dependents shall be eligible under this Plan if the retiree satisfies one of the following conditions (the described OPEB plan does not provide a stand-alone financial report):

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 2-18-704, 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 2-18-704, 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.

Fund Policy – The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

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

8. POST EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Valuation Date	7/1/2012
Actuarial Accrued Liability (AAL)	\$ 194,319
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>194,319</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$ 1,348,587
UAAL as a Percentage of Covered Payroll	14%

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

The following table shows the components of the government’s net OPEB obligation:

Annual Required Contribution (ARC)	\$ 37,563
Estimated Employer Benefits Paid	<u>(26,654)</u>
Annual OPEB Cost (Expense)	10,909
Net OPEB Obligation - Beginning of the Year	57,577
Adjustment to ARC	<u>20</u>
Net OPEB Obligation - End of the Year	\$ <u>68,506</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Discount Rate (Average Anticipated Rate)	4.25%
Average Salary Increase	2.50%
Participation Rate	45%

The healthcare cost trend rates are as follows:

Healthcare Cost Trends

<u>Year</u>	<u>% Increase</u>
2013	9.5%
2014	9.0%
2015	8.5%
2016	8.0%
2017	7.5%
2018	7.0%
2019	6.5%
2020	6.0%
2021	5.5%
2022 +	5.0%

9. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose.

Special Education Cooperative - Bonner Public School is a member of the Missoula Area Education Cooperative. The Cooperative is comprised of 17 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 four member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's payment to the cooperative for fiscal year 2014 was \$57,707. Separate financial statements can be obtained from the Missoula Area Education Cooperative.

10. RISK MANAGEMENT

The School faces a number of risks including (a) loss or damage to 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.

Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities, and medical insurance costs of employees. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The School participates in two state-wide public risk pools, the Montana Schools Group Insurance Authority (MSGIA) for workers' compensation coverage, and the Montana Schools Unemployment Insurance Program (MSUIP) for unemployment insurance. All school district participants in these pools are jointly and severally liable for the liabilities of these public risk pools. Audited financial statements are available from MSHWP, MSGIA, and MSUIP.

11. TRANSPORTATION CONTRACT

The District contracts with Majestic Bus Service for its student transportation needs. Majestic Bus Service provides busses, drivers, and maintenance of the busses for all student transportation needs within the District. In March of 2012, a three-year contract was approved. The contract amount ranged from \$16,070 per month in 2013 to \$18,056 per month in 2015.

12. SUBSEQUENT EVENTS

In May of 2015 voters approved a \$346,000 bond to expand and increase security measures at the District.

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	7/1/2012
Actuarial Accrued Liability (AAL)	\$ 194,319
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 194,319</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$ 1,348,587
UAAL as a Percentage of Covered Payroll	14%

There were no significant changes in plan provisions except the maximum life time benefit was changed to unlimited.

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

**SCHEDULE OF SCHOOL DISTRICT ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2014**

	-----Fall-----		-----Winter-----		-----Spring-----	
	School Records	Enrollment Report	School Records	Enrollment Report	School Records	Enrollment Report
Kindergarten	37	37	37	37	38	38
Grades 1 - 6	246	246	241	241	243	243
Grades 7 - 8	79	79	78	78	79	79
Total	<u>362</u>	<u>362</u>	<u>356</u>	<u>356</u>	<u>360</u>	<u>360</u>

**Bonner Public School
Missoula County
Bonner, Montana**

Schedule of Revenues, Expenditures and Changes in Fund Balance
All Fund Accounts - Extracurricular Fund
For the Year Ended June 30, 2014

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/Out</u>	<u>Ending Balance</u>
STUDENT ACTIVITY					
Athletic Fund	\$ 323	\$ 2,790	\$ 2,893	\$ -	\$ 220
Band	980	-	64	-	916
Class of 2014	1,203	-	1,203	-	-
Class of 2015	1,575	1,630	-	-	3,205
Class of 2016	-	642	-	-	642
Close Up	344	12,036	11,705	-	675
Graduation	-	2,140	2,140	-	-
Grass Roots	10,326	476	-	-	10,802
Library	876	4,049	4,565	-	360
Science Club	1,112	1	225	-	888
School Funds	2,602	7,184	7,661	-	2,125
Science Award	13	-	-	-	13
Student Council	1,626	33	281	-	1,378
Staff Fundraising	2,561	992	773	-	2,780
Total	<u>\$ 23,541</u>	<u>\$ 31,973</u>	<u>\$ 31,510</u>	<u>\$ -</u>	<u>\$ 24,004</u>

**BONNER PUBLIC SCHOOL
MISSOULA COUNTY
BONNER, MONTANA**

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

DESCRIPTION OF THE DISTRICT

School District Number 14 is a School for grades kindergarten through 8th grade. The School is located approximately 6 miles east of the City of Missoula.

The average fall enrollment of students attending the School is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Pre-Kindergarten	-	-	1	1	-	-	-
Kindergarten	30	36	37	45	38	39	37
Grades 1 - 6	249	239	231	237	223	228	246
Grades 7 - 8	<u>80</u>	<u>89</u>	<u>97</u>	<u>90</u>	<u>85</u>	<u>80</u>	<u>79</u>
Total	<u>359</u>	<u>364</u>	<u>366</u>	<u>373</u>	<u>346</u>	<u>347</u>	<u>362</u>
Change in Enrollment		5	2	7	-27	1	15
Percentage Change		1%	1%	2%	-7%	0%	4%

SCHOOL DISTRICT VALUATIONS

<u>As of January 1,</u>	<u>Assessed (Market) Valuations</u>	<u>% Change</u>	<u>Taxable Valuation</u>	<u>% Change</u>	<u>Taxable Valuation as a Percentage of Assessed Valuation</u>
2005	120,694,306	-	4,072,471	-	3%
2006	136,394,550	13%	4,168,944	2%	3%
2007	149,210,783	9%	4,477,778	7%	3%
2008	155,033,927	4%	4,675,153	4%	3%
2009	156,812,574	1%	4,471,779	-4%	3%
2010	162,429,304	4%	4,413,592	-1%	3%
2011	171,517,740	6%	4,487,951	2%	3%
2012	167,245,390	-2%	4,513,924	1%	3%
2013	175,775,163	5%	4,578,600	1%	3%
2014	184,929,591	5%	4,647,505	2%	3%

SCHOOL DISTRICT TAX LEVIES (in mills)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General	125.67	119.80	124.89	128.53	124.03	121.54	123.57
Transportation	27.95	31.44	33.16	35.37	42.31	33.23	38.87
Adult Education	-	2.00	3.60	3.00	1.00	1.00	1.00
Debt Service	9.95	17.79	19.96	18.14	0.00	0.00	0.00
Total	<u>163.57</u>	<u>171.03</u>	<u>181.61</u>	<u>185.04</u>	<u>167.34</u>	<u>155.77</u>	<u>163.44</u>

MAXIMUM BONDED INDEBTEDNESS

State statutes (MCA 20-9-406) limit the maximum bonded indebtedness to 50% of the School's taxable valuation at June 30, 2013. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

<u>Debt Limit Calculation</u>	<u>Elementary</u>
2014/15 Statewide Taxable Value Per Student	\$ 33,140
x 2014/15 Budget ANB	<u>374</u>
Total	12,394,360
x Debt Limit Rate of 50%	<u>50%</u>
Maximum Debt Capacity	<u>\$ 6,197,180</u>

TERRY JAMES BURKE

CERTIFIED PUBLIC ACCOUNTANT

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(406) 541-3708

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*

To the Board of Trustees
Bonner Public School
Missoula County
Bonner, Montana

I 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 Bonner Public School, Missoula County, Bonner, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Bonner School District's basic financial statements and have issued my report thereon dated June 26, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bonner Public School, Missoula County, Bonner, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bonner School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bonner School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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. I consider the deficiency described below as item 14-2 to be a material weakness.

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. I consider the deficiency described as item 14-1 listed below to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bonner School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

14-1 Lack of Segregation of Accounting Duties

Condition – Ideal segregation of accounting duties is not always possible in an organization with a small staff as is the case with the District. Compensating controls performed by the board are important.

Criteria - Internal control procedures require a proper segregation of accounting duties. Because ideal segregation of accounting duties is not always possible, compensating controls performed by the board are important.

Effect – The lack of compensating controls performed by the Board increases the vulnerability for improper disbursements.

Cause – The condition is caused by organizations with a small staff requiring compensating controls to be performed by the Board.

Recommendation - I recommend the Board continue to monitor and approve the School's activities and transactions.

14-2 – Financial Reporting

Condition – The District does not have the expertise to prepare or to evaluate the auditor prepared financial statements to ensure proper preparation in accordance with generally accepted accounting principles (GAAP).

Criteria – Auditing standards that became effective December 15, 2006, require the auditor to determine whether the School's internal control system allows for the reliable reporting of financial data in accordance with GAAP.

Effect – Not having the expertise to prepare or to evaluate the auditor prepared financial statements increases the risk of not preparing financial statements in accordance with GAAP.

Cause – This condition is caused by the lack of funding for the District to retain and train personnel to evaluate or prepare GAAP financial statements.

Recommendation – Although it may not be cost effective for the District to retain and train personnel to evaluate or prepare GAAP financial statements, I recommend the District to consider correcting this material weakness in their internal controls over financial statements preparation by hiring a qualified consultant to evaluate the auditor prepared financial statements. Management should be aware of and continue to evaluate the impact of this deficiency.

Entity's Response to Findings

The District's response to audit findings identified in my audit is described on page 35. I did not audit the District's response and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Terry James Burke".

June 26, 2015

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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(406) 541-3709

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MISSOULA, MONTANA 59801
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REPORT ON PRIOR AUDIT RECOMMENDATIONS

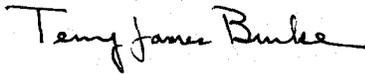
To the Board of Trustees
Bonner Public School
Missoula County
Bonner, Montana

The actions taken on the prior audit recommendations are as follows:

13-1 – Lack of Segregation of Accounting Duties – Repeated.

13-2 – Financial Reporting – Repeated.

In accordance with state law (MCA 2-7-515), upon receipt of the final audit report, the School's Board of Trustees is required to respond to the audit findings.



June 26, 2015



Bonner School District #14
9045 Hwy 200 PO Box 1004
Bonner, MT 59823
(406) 258-6151
(406) 258-6153 Fax
“Home of the Lumberjacks”

July 6, 2015

Audit Review Section
Montana Department of Administration
PO Box 200547
Helena, MT 59620-0547

RE: Bonner School District #14
FY 2014 Audit

Dear Sir or Madam:

This letter is in response to the two audit findings listed in our 2013-2014 report.

14-1 Lack of Segregation of Duties: District management and the Board will participate to the greatest extent possible in the District financial operation to help mitigate lack of segregation of duties.

14-2 Financial Reporting: The Board and Administration realize that an employee or consultant would be needed to review and comply with the generally accepted accounting principles (GAAP), however, we are a small rural school and it is not economically feasible to do so. The Board and Administration will do everything possible to comply with GAAP to the best of their knowledge.

If you have questions about this letter or need additional information, contact Carrie Ruff, Business Manager, at (406) 258-6151.