

Board of Trustees  
 Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana 59632

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Board of Trustees  
Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

**ORGANIZATION**  
Fiscal Year Ended June 30, 2014

**BOARD OF TRUSTEES**

T. J. Eyer	Chairman
Bob Warfle	Vice Chairman
Carrie Harris	Trustee
Dan Johnson	Trustee
Eric Rykal	Trustee

**OFFICIALS**

Maria Pace	Superintendent
Britton Mann	Business Manager/District Clerk
Garry Pace	County Superintendent
Matthew Johnson	County Attorney

BOULDER ELEMENTARY SCHOOL DISTRICT NO. 7  
Management Discussion and Analysis  
For the Year Ended June 30, 2014

**MANAGEMENT’S DISCUSSION AND ANALYSIS – JUNE 30, 2014**

This Management Discussion and Analysis (MD&A) written by the District Clerk and Superintendent of the Boulder Elementary School District provides an overview of the financial position and governmental activities for the fiscal year ended June 30, 2014. Please read it in conjunction with our audit report and financial statements.

**FINANCIAL HIGHLIGHTS**

The enrollment at Boulder Elementary School in 2013-2014 increased slightly which resulted in a budget increase this year. The three-year averaging will continue to lessen the impact of any drastic decreases if our enrollment starts to decrease again.

**USING THIS FINANCIAL REPORT**

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

**Reporting the School District as a Whole**

These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The Statement of Net Position shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets for the following year.
  
- B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities all shown in one category (governmental) show the school functions, including instruction, student services, administration, etc. are supported mostly by state and federal revenues and property taxes.

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

The fund statements provided detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant or “major” funds separately and combine 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.

The Balance Sheet and Statement of Revenues, Expenditures, and changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school foods, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

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

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

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund. This report included the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund operations. The district is responsible for ensuring these assets are used for their intended purpose.

### **Budget-to-Actual Comparison**

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund. Variances were determined by functionality and reported as significant if there was a variance greater than five percent between budget and actual. The school did complete a budget amendment. We adopted \$49,676.14 due to an unanticipated enrollment increase. This was the only budget amendment for the 2013-2014 year.

### **The District as a Whole**

The important question about the District's Finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets.

The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. However there are non-financial factors that influence the financial health of the school district, such as enrollment changes, changes in how the State of Montana funds educational costs, and changes in the tax base of the school district.

### **Changes in Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The district experienced a minor decrease in net position for FY 2014:

### **Analysis of Financial Information**

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

NET POSITION	Governmental Activities		<u>\$</u> <u>CHANGE</u>	<u>% CHANGE</u>
	<u>2014</u>	<u>2013</u>		
Current Assets	614,323	656,990	(42,667)	-6.49%
Restricted Cash	19,767	34,022	(14,255)	-41.90%
Capital Assets, net	<u>1,471,395</u>	<u>1,508,111</u>	<u>(36,716)</u>	<u>-2.43%</u>
Total Assets	2,105,485	2,199,123	(93,638)	-4.26%
Current Liabilities	32,049	37,948	(5,899)	-15.54%
Long Term Liabilities	<u>762,713</u>	<u>836,207</u>	<u>(73,494)</u>	<u>-8.79%</u>
Total Liabilities	794,762	874,155	(79,393)	-9.08%
Net Position:				
Net Investment in Capital Assets	871,505	828,103	43,403	5.24%
Restricted	32,077	45,064	(12,987)	-28.82%
Unrestricted	<u>407,142</u>	<u>451,801</u>	<u>(44,659)</u>	<u>-9.88%</u>
Total Net Position	<u>1,310,723</u>	<u>1,324,967</u>	(14,244)	-1.08%

#### CHANGES IN NET POSITION

##### Revenues

##### Program Revenues:

Charges for Services	261,161	228,602	32,559	14.24%
Operating Grants	355,567	329,472	26,095	7.92%

##### General Revenues:

District Levy	590,976	536,873	54,103	10.08%
State Equalization	809,519	724,349	85,170	11.76%
Other State Revenue	141,764	144,133	(2,369)	-1.64%
County	179,470	152,447	27,023	17.73%
Investment Earnings	349	1,608	(1,259)	-78.30%
Other	<u>22,695</u>	<u>8,631</u>	<u>14,064</u>	<u>162.94%</u>
Total Revenues	2,361,500	2,126,115	235,385	11.07%

**Program Expenses**

Instruction	1,426,645	1,274,482	(152,163)	-11.94%
Support	35,104	31,494	(3,610)	-11.46%
Media	117,889	96,862	(21,027)	-21.71%
Administration:	245,762	217,326	(28,436)	-13.08%
O & M	269,076	248,478	(20,598)	-8.29%
Transportation	58,709	50,496	(8,213)	-16.26%
Extracurricular	31,780	35,951	4,171	11.60%
School Food	156,531	131,805	(24,726)	-18.76%
Interest	24,379	26,706	2,327	8.72%
Loss on Asset	2,000	-	(2,000)	
OPEB Expense	<u>7,869</u>	<u>9,897</u>	<u>2,028</u>	<u>20.49%</u>
Total Expenses	2,375,743	2,123,497	(252,246)	-11.88%

**Change in Net Position**                      (14,244)      2,618

The change in Net Position is a primarily result of the change in the current year depreciation.

There was a decrease with our Long-Term Liabilities. There was a significant number of teachers who took a retirement incentive in 2001, this year was the last year for all of them . As of June 30, 2014 there are no remaining individuals from that original plan.

On the Governmental Funds Balance Sheet, the increase in Restricted Assets is due to the implementation of GASB 54 which was implemented in FY 2011. Balances reported as restricted were previously reported as assigned.

There were some changes in our expenses. We experienced an increase in our Instruction expenses. We hired multiple paraprofessionals for one-on-one instruction. Our Maintenance expenditures increased due to the final stages of construction with our garage. We also have an increase with our media expenses due to the implementation of a mobile computer lab.

**What does the School do?**

Boulder Elementary Schools' main purpose is to educate children; therefore, its costs revolve around instruction and supporting the instruction of student's, transporting children to and from school, providing breakfast and lunch to these students along with funding some extra-curricular activities.

**Where Do the Resources Come From?**

The majority of Boulder Elementary School’s revenue comes from property taxes and state aid. Boulder Elementary School participates in many federal programs including, but not limited to, all of the ESEA programs that are funded based upon the free and reduced lunch census. The District is continually researching, applying for, and utilizing various grants to help support and expand the programs it is able to offer.

**Capital Assets**

Capital Assets – The district’s investment in capital assets as of June 30, 2014, totaled \$2,239,657. This investment in capital assets includes buildings & improvements, land, and machinery and equipment. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014:

Land	\$85,800
Land Improvements	\$61,001
Buildings and Improvements	\$1,292,671
Machinery and Equipment	<u>\$31,923</u>
Total	\$1,471,395

**The Future of the District**

A major influence on the District’s budget is enrollment. With the slight increase in enrollment that we experienced this year, we are hopeful this trend will continue in the future.

**Contact Information**

If you have questions regarding this report or need additional information, contact Britton Mann, District Clerk/Business Manager, PO Box 1346, Boulder, MT 59632, (406) 225-3316.

**T**ripp & **A**ssociates  
1645 Ave. D, Suite E  
Billings, Montana 59102

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boulder School District No. 7 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Boulder School District No. 7 as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7; Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 30; and Schedule of Funding for Other Post-Employment Benefits Other Than Pensions on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boulder School District No. 7's basic financial statement. The Schedule of Combining Funds; Schedule of Reported Enrollment; and the Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are presented for purposes of additional analysis and are not a required part to the basic financial statements.

The Schedule of Combining Funds; Schedule of Reported Enrollment; and the Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Combining Funds; Schedule of Reported Enrollment; and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of Boulder School District No. 7's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing Boulder School District No. 7's internal control over financial reporting and compliance.

*Tripp & Associates*

Billings, Montana  
December 19, 2014

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

STATEMENT OF NET POSITION  
 as of June 30, 2014

	<u>Governmental Activities</u>
	<u>2014</u>
<b>ASSETS:</b>	
Current Assets:	
Cash & Investments	\$ 508,165
Taxes Receivable	<u>106,158</u>
Total Current Assets	614,323
Restricted Cash:	
Cash & Investments	19,767
Non-Current Assets:	
Land	85,800
Other Capital Assets (Net)	<u>1,385,595</u>
Total Non-Current Assets	<u>1,471,395</u>
<b>Total Assets</b>	<b>2,105,485</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Compensated Absences	13,071
Termination Benefits Payable	14,088
Capital Leases Payable	<u>4,890</u>
Total Current Liabilities	32,049
Non-Current Liabilities:	
Compensated Absences	62,973
Termination Benefits Payable	51,885
OPEB Liability	39,345
Capital Leases Payable	13,510
Bonds Payable	<u>595,000</u>
Total Non-Current Liabilities	<u>762,713</u>
Total Liabilities	794,762
<b>NET POSITION:</b>	
Net Investment in Capital Assets	871,505
Restricted - Instruction	2,503
Restricted - Retirement	48,111
Restricted - Media	7,637
Restricted - Transportation	45,344
Restricted - Debt Service	32,077
Restricted - Capital Acquisitions	6,615
Unrestricted	<u>296,931</u>
Total Net Position	<u>\$ 1,310,723</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

Functions/Programs	-----Program Revenues-----			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>GOVERNMENTAL OPERATIONS:</b>				
Instruction	\$ 1,426,645	\$ 234,206	\$ 229,451	\$ (962,988)
Support	35,104	-	-	(35,104)
Media	117,889	-	-	(117,889)
Administration	245,762	-	-	(245,762)
O & M	269,076	-	-	(269,076)
Transportation	58,709	-	29,245	(29,464)
Extracurricular	31,780	-	-	(31,780)
School Food	156,531	26,955	96,871	(32,706)
Interest	24,379	-	-	(24,379)
Loss on Asset	2,000	-	-	(2,000)
Other Post-Employment Benefits	7,869	-	-	(7,869)
Total Governmental Activities	2,375,743	261,161	355,567	(1,759,016)
<b>GENERAL REVENUES:</b>				
District Levy				590,976
State Equalization				809,519
Other State Revenue				141,764
County				179,470
Investment Earnings				349
Other				<u>22,695</u>
Total General Revenues				1,744,772
<b>CHANGE IN NET POSITION</b>				(14,244)
<b>NET POSITION:</b>				
Beginning of the Year				<u>1,324,967</u>
End of the Year				<u>\$ 1,310,723</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	-----MAJOR-----				Other	Total
	General Fund	Transportation Fund	Miscellaneous Fund	Debt Service Fund	Government Funds	
<b>ASSETS:</b>						
Cash and Investments	\$ 349,963	\$ 29,561	\$ 51,065	\$ 19,767	\$ 77,577	\$ 527,932
Taxes Receivable	71,361	15,783	-	12,310	6,704	106,158
Total Assets	<u>421,324</u>	<u>45,344</u>	<u>51,065</u>	<u>32,077</u>	<u>84,280</u>	<u>634,090</u>
<b>LIABILITIES:</b>						
	-	-	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue - Property Taxes	71,361	15,783	-	12,310	6,704	106,158
<b>FUND BALANCES:</b>						
Restricted:						
Instruction	-	-	-	-	2,288	2,288
Retirement	-	-	-	-	48,111	48,111
Media	-	-	-	-	1,233	1,233
Transportation	-	29,561	-	-	-	29,561
Debt Service	-	-	-	19,767	-	19,767
Capital Acquisitions	-	-	-	-	6,615	6,615
Committed:						
Instruction	276,362	-	49,575	-	13,978	339,915
School Food Service	-	-	-	-	7,199	7,199
Assigned - Instruction	9,006	-	1,490	-	-	10,496
Unassigned:	64,595	-	-	-	(1,848)	62,747
Total Fund Balances	<u>349,963</u>	<u>29,561</u>	<u>51,065</u>	<u>19,767</u>	<u>77,577</u>	<u>527,932</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 421,324</u>	<u>\$ 45,344</u>	<u>\$ 51,065</u>	<u>\$ 32,077</u>	<u>\$ 84,280</u>	<u>\$ 634,090</u>

**RECONCILIATION OF THE BLANACE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

Total fund balances - Governmental Funds		\$ 527,932
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	2,239,657	
Less Accumulated Depreciation	<u>(768,262)</u>	1,471,395
Less liabilities not reported in the governmental funds		
Compensated Absences	(76,044)	
Other Post-Employment Benefits	(39,345)	
Bonds Payable	(595,000)	
Termination Benefits Payable	(65,973)	
Capital Leases Payable	<u>(18,400)</u>	(794,762)
Deferred Inflows of Resources due to Property Tax Collections Receivable		<u>106,158</u>
Net Position - Governmental Activities		<u>\$ 1,310,723</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	-----MAJOR-----				Other	Total
	General	Transportation	Miscellaneous	Debt Service	Government	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
<b>REVENUES:</b>						
District Levies	\$ 388,246	\$ 95,672	\$ -	\$ 59,823	\$ 34,240	\$ 577,981
Interest	111	-	77	76	85	349
Other	262	-	19,957	-	2,475	22,695
County	-	14,702	-	-	179,470	194,171
State	942,557	19,330	13,869	20,753	25,684	1,022,193
Federal	-	-	173,084	-	96,871	269,955
Charges for Services	-	-	<u>234,206</u>	-	<u>26,955</u>	<u>261,161</u>
Total Revenues	1,331,177	129,704	441,192	80,652	365,780	2,348,505
<b>EXPENDITURES:</b>						
Instructional Services	795,784	-	457,189	-	170,380	1,423,354
Instructional Support Services	33,777	-	-	-	4,144	37,921
Educational Media Services	98,429	-	-	-	15,414	113,843
General Administrative Services	149,066	62,910	-	-	28,116	240,092
Operation & Maintenance Services	215,851	-	3,250	-	16,252	235,353
Transportation Services	1,162	57,546	-	-	-	58,709
Extracurricular	29,686	-	-	-	2,094	31,780
School Food Services	<u>21,420</u>	-	<u>200</u>	-	<u>132,999</u>	<u>154,619</u>
Total Current Expenditures	1,345,175	120,456	460,639	-	369,399	2,295,669
Capital Outlay	-	-	13,200	-	-	13,200
Debt Service (Principal, Interest, Fees)	<u>27,845</u>	-	-	<u>94,906</u>	-	<u>122,751</u>
Total Expenditures	1,373,020	120,456	473,839	94,906	369,399	2,431,621
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	(41,843)	9,248	(32,647)	(14,255)	(3,619)	(83,116)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of long-term debt	-	-	<u>13,200</u>	-	-	<u>13,200</u>
<b>NET CHANGES IN FUND BALANCES</b>						
	(41,843)	9,248	(19,447)	(14,255)	(3,619)	(69,916)
<b>FUND BALANCES:</b>						
Beginning of the Year	<u>391,806</u>	<u>20,313</u>	<u>70,512</u>	<u>34,022</u>	<u>81,196</u>	<u>597,848</u>
End of the Year	<u>\$ 349,963</u>	<u>\$ 29,561</u>	<u>\$ 51,065</u>	<u>\$ 19,767</u>	<u>\$ 77,577</u>	<u>\$ 527,932</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
Jefferson County  
Boulder, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Total Net Change in Fund Balances - Governmental Funds		\$	(69,916)
Amounts reported for governmental activities in the statement of activities are different because:			
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:			
Increase (Decrease) in Taxes Receivable			12,994
Revenues reported in the Governmental Funds Statement not included in the Statement of Activities			
Proceeds of Issuance of Debt - Capital Lease			(13,200)
Expenses in the statement of activities that do not require the use of current financial resources are not included in the governmental funds:			
Depreciation Expense	(47,916)		
Loss on Disposal of Capital Assets	(2,000)		
Other Post-Employment Benefits (Increase) Decrease	(7,869)		
(Increase) decrease in Compensated Absence Liability	<u>2,090</u>	(55,695)	
Expenditures reported in the governmental funds not included in the Statement of Activities			
Capital Outlays (Capital Lease Obligations)	13,200		
Principal Payments on Retirement Liability	18,564		
Principal Payments on Bonds	75,000		
Principal Payments on Capital Leases	<u>4,808</u>	<u>111,572</u>	
Change in net position reported on the Statement of Activities - governmental activities		\$	<u>(14,244)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

STATEMENT OF FIDUCIARY NET POSITION &  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 As of June 30, 2014

	<u>Private Purpose Trust Funds</u>
<b>ASSETS:</b>	
Cash, Cash Equivalents and Investments	\$ 31,206
Total Assets	<u>31,206</u>
<b>LIABILITIES:</b>	
Total Liabilities	-
<b>NET POSITION:</b>	
Held in Trust for Student Activities	<u>31,206</u>
Total Net Position	<u>\$ 31,206</u>
<hr/>	
<b>CHANGES IN FIDUCIARY NET POSITION</b>	
<b>ADDITIONS:</b>	
Revenue from Student Activities	<u>31,019</u>
Total Additions	31,019
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	<u>27,178</u>
Total Deductions	27,178
<b>CHANGE IN NET POSITION:</b>	3,841
Net Position, Beginning of the Year	<u>27,364</u>
Net Position, Ending of the Year	<u>\$ 31,206</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Board of Trustees  
Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Boulder School District No. 7 (the "District") have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### A) REPORTING ENTITY

The District is a political subdivision of the Montana Department of Education governed by a Board of Trustees (the Board) elected by the public. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The statements reflect all funds and accounts directly under the control of the District.

The District consists of an elementary district which provides education for kindergarten through eighth grade.

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the District. Based on those criteria the District has no component units.

#### B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of advances, the presentation of expenses versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the Government-wide financial statements and the governmental fund financial statements.

##### **Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the District as a whole except for the fiduciary funds. The trust funds are reported as private purpose trust funds in the fiduciary fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include (1) charges for services such as school lunch fees and facility rental fees and (2) operating grants that are restricted to a particular functional program. Property taxes, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **Fund Financial Statements**

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds, and student activity fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

### **Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as advances until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from the issuance of long-term debt are recognized when received and payments of long-term debt principal are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures and depreciation is not recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

GASB Statement No. 34 requires that the general fund be reported as a major fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds. The District reports the following major governmental funds:

***General Fund*** – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For reporting purposes, GASBS 54 requires that funds with similar restrictions to the General fund be combined with the General fund. The Flexibility and Metal Mines funds are combined with the General Fund for reporting purposes. The Supplementary Information section of this report includes schedules of combined funds with details of each combined fund.

#### Combined Funds

\* The Flexibility Fund is used to account for state and local revenues and expenditures.

\* The Metal Mines Fund is used to account for property taxes paid by mining industries directly affecting the district.

***Transportation Fund*** – The Transportation fund is used to account for revenues and expenditures for financing contracts with private carriers for school bus services, and individual transportation contracts to transport students to and from school.

***Debt Service Fund*** – This debt service fund is used to account for the accumulation of funds restricted by debt covenants or committed by the Board for the payment of General Obligation bond debt.

***Miscellaneous Fund*** – The miscellaneous fund is used to account for local, State and federal grants.

### **Fiduciary Funds**

***Private Purpose Trust Funds*** – The Trust Funds account for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Agency Funds* – The Agency Funds generally are used to account for assets that the District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer. Agency funds do not report a measurement focus as they do not report operations.

C) CASH AND INVESTMENTS

Montana Code Annotated (MCA) allows school districts to invest public money not necessary for immediate use in United States government treasure bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The District does not have a formal investment policy that places any further restrictions on the nature of types of investments that may be purchased other than the State statute. Investments are recorded at fair market value.

The District considers cash on hand, demand accounts, savings, money markets, repurchase agreements, CD's, STIP, and short-term investments with original maturities of three months or less when purchased, to be cash equivalents. The District participates in the County Investment pool. The Extracurricular fund's cash is held separately by the District, not at the county, and is covered by FDIC.

The District reported Restricted Cash of \$19,767 which represents cash held in the Debt Service fund.

D) ESTIMATES

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

E) PROPERTY TAXES

Property taxes are collected by the Jefferson County Treasurer who credits to the District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds of any such auction.

F) INVENTORIES

Inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

G) CAPITAL ASSETS

The District considers capital assets to be those resulting from expenditures which have an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. These assets are reported in the government-wide Statement of Net Position, but are not reported in the Balance Sheet – Governmental Funds. Capital assets are recorded at cost, or estimated historical cost if actual historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The District capitalizes the value of all infrastructures acquired after July 1, 2003. The District uses the straight-line depreciation method. Improvements are capitalized but the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized. Useful lives of the District's capital assets are estimated as follows:

Buildings	20 – 50 years	Machinery and Equipment	3 – 20 years
Improvements other than buildings	20 years		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

H) COMPENSATED ABSENCES

District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. The District reports compensated absences on the Termination Payment Method. District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Therefore, only 25% of the accumulated sick leave is included in the accrual.

The liability incurred because of unused vacation and sick leave accumulated by employees is reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$13,071 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$76,044.

I) INTERFUND TRANSACTIONS

Interfund transactions between governmental funds are reflected as transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds" and are subject to elimination upon consolidation of funds. Advances between funds, as reported in the fund financial statements, are offset by Nonspendable fund balance in the General fund and as committed or assigned fund balance in other governmental funds as appropriate.

J) ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

**NOTE 2. CASH AND INVESTMENTS**

Cash resources of the District are held and managed by the Jefferson County treasurer. They are combined with cash resources of other governmental entities within Jefferson County to form a pool of cash and cash equivalents. The County investment pool is not subject to regulatory oversight. At June 30, 2014 the carrying amount of deposits was \$650,508. This includes \$122,576 in agency funds.

The District holds its cash, cash equivalents and investments in the **Jefferson County investment pool**. Information regarding the holdings, collateral and security for cash held by the Jefferson County treasurer is not available to the District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The County does not issue separate financial statements of the investment pool. The external investment pool is audited as part of Jefferson County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC). The County provides monthly statements of school fund's cash values to the District.

The District does not own specific identifiable investment securities in the pool. Therefore, the District's portion of the pool is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Jefferson County investment pool deposits and investments is available from the Jefferson County Treasurer's office, Box H, Boulder, MT 59632. Fair values approximate carrying values for investments as of June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 3. NET POSITION/FUND BALANCES**

A) NET POSITION

The government-wide fund financial statements utilize a Net Position presentation. Net Position is categorized as Net Investment in Capital Assets, Restricted and Unrestricted.

*Net Investment in Capital Assets* – This category reports the portion of Net Position containing capital assets, including infrastructure, as one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category reports the portion of Net Position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, restricted Net Position for governmental activities totaled \$32,077 which was restricted by enabling legislation.

*Unrestricted Net Position* – This category reports the portion of Net Position that is not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use the restricted funds first.

B) FUND BALANCE POLICY

**Fund Statement – Fund Balances**

In the fund financial statements, governmental funds report fund balance as Nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

**Nonspendable** – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact i.e., inventory or endowment corpus.

**Restricted** – Amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

**Committed** – Amounts that can be used only for specific purposes determined through a motion approved by the Board to establish, modify and rescind; and do not lapse at year end.

**Assigned** – Amounts intended for specific purposes by the District Clerk and/or Superintendent who have been delegated authority by the Board to assign such amounts. This fund balance classification also reflects any funds assigned for capital projects.

**Unassigned** – All amounts not included in other spendable classifications.

When expenditures are incurred for which committed, assigned or unassigned amounts could be used, it is the District’s policy to first spend committed, then assigned and unassigned resources last.

C) FUND BALANCE CLASSIFICATIONS

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	\$ 19,767	Debt Service
Transportation	29,561	Transportation
Building Reserve	6,615	Capital projects
Retirement	48,111	Instruction
Technology	1,233	Media
Adult Education	<u>2,288</u>	Instruction
Total Restricted	\$107,575	

**Assigned Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 9,006	Instruction

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Committed Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General - Metal Mines	\$276,362	Instruction
School Food	7,199	School Food
Tuition	13,978	Instruction
Miscellaneous	<u>51,065</u>	Instruction
Total Committed	\$348,604	

**Unassigned Fund Balance**

<u>Fund</u>	<u>Amount</u>
General	\$ 62,389
General - Flexibility	2,206
Other Governmental Funds	<u>(1,848)</u>
Total Unassigned	\$ 62,747

Total District Fund Balance \$527,932

**D) MATERIAL CHANGES IN FUND BALANCE CLASSIFICATIONS**

In fiscal year 2014, the District reviewed its GASB 54 fund balance classification interpretations and determined that the previously reported fund balance classifications were in need of revision. The fund balances reported above, reflect current District classifications. The major changes involved changing most fund balances from Assigned to either Restricted or Committed.

**E) STATEMENT OF NET POSITION VS. BALANCE SHEET – GOVERNMENTAL FUNDS**

The difference of \$34,713 between the total Restricted Fund Balance on the Balance Sheet - Governmental Funds, and total Restricted Net Position on the Statement of Net Position represents the deferred inflows of resources due to taxes receivable in the restricted funds. This difference is attributable to the difference in accounting basis of these two statements.

**NOTE 4. TAXES / RECEIVABLES**

**A) MILL LEVIES**

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. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$3,569,043 for the district. The tax rates assessed for the fiscal year ended June 30, 2014 to finance District operations were as follows:

<u>Fund</u>	<u>District</u>
General	111.57
Transportation	27.55
Technology	9.81
Debt Service	<u>17.10</u>
Total	<u>166.03</u>

**B) TAXES RECEIVABLE**

<u>Fund</u>	<u>District</u>
General	\$ 71,361
Transportation	15,784
Tuition	84
Adult Education	215
Technology	6,404
Debt Service	<u>12,310</u>
Total	<u>\$106,158</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 5. CAPITAL ASSETS**

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>June 30, 2014</u>
COST Non-Depreciable:				
Land	\$ 85,800	\$ 0	\$ 0	\$ 85,800
Total Non-Depreciable	\$ 85,800	\$ 0	\$ 0	\$ 85,800
COST Depreciable:				
Land Improvements	\$ 81,336	\$ 0	\$ 0	\$ 81,336
Buildings	1,991,255	0	0	1,991,255
Major Equipment	78,066	13,200	10,000	81,266
Total Depreciable COST	<u>\$2,150,657</u>	<u>\$ 13,200</u>	<u>\$10,000</u>	<u>\$2,153,857</u>
Total COST	<u>\$2,236,457</u>	<u>\$ 13,200</u>	<u>\$10,000</u>	<u>\$2,239,657</u>
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ (16,268)	\$ (4,067)	\$ 0	\$ (20,335)
Buildings	(659,780)	(38,804)	0	(698,584)
Major Equipment	<u>(52,298)</u>	<u>(5,045)</u>	<u>(8,000)</u>	<u>(49,343)</u>
Total Depreciation	<u>\$(728,346)</u>	<u>\$(47,916)</u>	<u>\$(8,000)</u>	<u>\$(768,262)</u>

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

Instructional	\$ 3,279
Operation & Maintenance	42,871
School Food	<u>1,766</u>
Total Current Year Depreciation	<u>\$ 47,916</u>

**NOTE 6. RISK MANAGEMENT**

The District is exposed to various types of risk 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. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The district has joined with other districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating districts in a self-insurance pool. The Workers Compensation Risk Retention Program (WCRRP) is managed by a board of directors elected annually. Members are responsible for fully funding the WCRRP through the payment of annual premiums assessed. There is no other liability to the district other than timely payments of premiums. The district can withdraw from the WCRRP with 60 days' notice. Information regarding the WCRRP may be obtained by contacting WCRRP at 1 S. Montana Ave., Helena, MT, 59601.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

**NOTE 7. CURRENT LIABILITIES**

A) DEFERRED INFLOWS OF RESOURCES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General	\$ 71,361	Taxes Receivable
Transportation	15,784	Taxes Receivable
Tuition	84	Taxes Receivable
Technology	6,404	Taxes Receivable
Adult Ed	215	Taxes Receivable
Debt Service	<u>12,310</u>	Taxes Receivable
District Total	<u>\$106,158</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 8. EMPLOYEE RETIREMENT PLANS**

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

**Teachers' Retirement System (TRS)**

The TRS is a statewide defined benefit retirement plan established in 1937 and governed by Title 19, chapter 20 of the Montana Code Annotated providing retirement services to teachers or professional staff of any public elementary or secondary school, colleges of technology or unit of the university system. The TRS is a mandatory multiple-employer, cost-sharing plan administered by the Teachers' Retirement Board. Members' rights become vested after five years of service.

*Benefits*

TRS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility, benefit amounts, and contributions required by state law are based on the date the employee became a TRS member. Tier I – Employees who became members before July 1, 2013. Tier II – Employees who became members after July 1, 2013.

Tier I – Retirement benefit eligibility is age 60 with at least five years of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken after age 50 with at least five years of service. Service retirement is based on the highest 3 consecutive highest salaries.

Tier II – Retirement benefit eligibility is age 60 with at least five years of service; age 55 with 30 years of service. A professional retirement option applies to Tier II members age 60 with 30 years of service. Actuarial reduced benefits may be taken after age 55 with at least five years of service. Service retirement is based on the highest 5 consecutive salaries.

Retirement benefits are calculated as shown below:

The Service Retirement is based on *Years of Service* x *Average Final Compensation* x 1.6667%

The Professional Retirement is based on *Years of Service* x *Average Final Compensation* x 1.85%

The Guaranteed Annual Benefit Adjustment (GABA) provides an annual benefit increase set in the fall of each year by the TRS board of .5% to 1.5%. A benefit recipient, who has been receiving a benefit for at least 36 months prior to January 1 each year, will receive a GABA with payment of the January benefit.

*Contributions*

Beginning July 1, 2013 a required supplemental contribution, which varies from 0% to 1% based on the funded ratio of the TRS pension, became effective for Tier I members. A supplemental contribution may be required from Tier II members after January 1, 2023. For fiscal year 2014, Tier I member normal contributions are 7.15% and supplemental contributions are 1% for total Tier I member contributions of 8.15%. Tier II normal contributions are 8.15% which does not contain a supplemental contribution element. Employer contributions are based on total payroll reported to TRS. These are contributions to the trust fund not matching contributions allocated to individual members. The TRS employer rate was increased from 7.47% to 8.47% effective July 1, 2013. The working retiree employer TRS contribution rate is 9.85%. The State supplemental rate is 2.49%.

*Actuarial Information*

An actuarial valuation of the retirement system is performed annually. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based on present and prospective assets and liabilities of the system. If employee and employer contribution rates are sufficient to amortize any unfunded liability over 30 years or less, the system is actuarially sound and does not have a shortfall. According to TRS publications as of July 1, 2013, TRS does not have a shortfall and is actuarially sound.

**Montana Public Employees' Retirement System (PERS)**

PERS is a state wide retirement plan established in 1945 and governed by Title 19, chapter 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. Within 12 months of their hire date, employees must choose between the Defined Benefit Retirement Plan (DBRP) and the Defined Contribution

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Retirement Plan (DCRP). The default plan is the DBRP. The PERS is a mandatory, except for those employed less than one half time. It is a multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS Defined Benefit Retirement Plan (DBRP) offers service retirement, early retirement, disability and survivorship benefits to plan members and their beneficiaries. Members' rights become vested after five years of service. The plan allows for a Guaranteed Annual Benefit Adjustment (GABA) that provides for an annual benefit increase each January that could range from 0% to 1.5% depending upon the funding status of the plan.

The service retirement benefit eligibility is age 65 with at least five years of service credit or age 70 regardless of service. Actuarial reduced benefits may be taken with age 55 with at least 5 years of service. Monthly retirement benefits are calculated as: *Membership Service Factor* times *Highest Average Compensation* times *Service Credit*. This formula is multiplied by an Early Retirement Factor to determine the early retirement benefit.

The PERS Defined Contribution Retirement Plan (DCRP) consists of three components; member contributions, other contributions and employer contributions. Each component has different vesting criteria. Members are fully vested when they have earned five years of membership service. Member contributions and earnings are fully vested immediately. Other contributions i.e., 403(b) or 457(b) rollover contributions are fully vested immediately. Employer contributions are fully vested after five years of membership service. Employer contributions are forfeited if the employee dies or if service is terminated prior to attaining five years of membership service. Both the employee and the employer make contributions to the plan at the same rates as the DBRP.

Contribution rates for either plan above are required and determined by State law. Effective, July 1, 2013, the PERS rates for all employees was changed to 7.9%. The basic PERS rate for school district employers is 6.8%. Effective July 1, 2013 school district employers are required to contribute an additional employer contribution of 1.10% for total employer contributions of 7.9%. The PERS rate paid by State is .37% for school districts.

**Both Plans**

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Montana Teachers Retirement System	Montana Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

State contributions to PERS and TRS totaled \$874 and \$20,585 respectively and have been included in the Retirement Fund revenues and expenditures.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$134,553	\$134,256	\$161,882
PERS	<u>25,992</u>	<u>30,696</u>	<u>37,963</u>
Total	<u>\$160,545</u>	<u>\$164,952</u>	<u>\$199,845</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 9. LONG TERM DEBT OBLIGATIONS**

A) CHANGES IN LONG TERM DEBT

Governmental Activities:	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
General Obligation Bonds	\$670,000	\$ 0	\$ 75,000	\$595,000
Termination Benefits	84,537	0	18,564	65,973
Capital Leases	10,008	13,200	4,808	18,400
Compensated Absences	78,134	0	2,090	76,044
OPEB Liability	<u>31,476</u>	<u>7,869</u>	<u>0</u>	<u>39,345</u>
Total	<u>\$874,155</u>	<u>\$21,069</u>	<u>\$100,462</u>	<u>\$794,762</u>

B) GENERAL OBLIGATION BONDS

The District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

Elementary Issue <u>Date</u>	Original <u>Term</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Retired</u>	Amount Outstanding <u>June 30, 2014</u>
4/2011	10 years	\$810,000	1.35-3.38%	\$215,000	\$595,000

The repayment schedule includes interest of \$78,469.

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows for the year ended 6/30:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 0	\$ 9,271
2016	80,000	17,344
2017	75,000	15,019
2018	80,000	12,694
2019	85,000	10,219
2020-2023	<u>275,000</u>	<u>13,922</u>
Totals	<u>\$595,000</u>	<u>\$78,469</u>

C) TERMINATION BENEFITS

Previously, these benefits were reported as a Retirement Liability. In prior years, the district entered into a retirement incentive package with ten employees. The incentive provided that the District would pay the full single coverage health insurance premium for the retiring staff member until age 65 if they met the retirement package requirements. Premiums paid in fiscal year 2012 were \$26,197 for all participating employees. The plan allows for increases in the monthly premium up to 8%. The net present values of the commitment to the District are as follows:

For the year ended 6/30:	<u>Principal</u>	<u>Interest</u>
2015	\$14,088	\$ 3,367
2016	8,494	2,633
2017	9,859	1,625
2018	4,901	1,758
2019	5,153	1,506
2020-2023	<u>23,478</u>	<u>3,161</u>
Totals	<u>\$65,973</u>	<u>\$14,050</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

D) CAPITAL LEASES

In fiscal year 2010, a lease purchase agreement was entered into between Empire Office Machine, Inc. and the District. This lease-purchase agreement provided a method of financing a KM 6030 copier for the District over 5 years. This copier was returned to Empire Office Machine, Inc. in March of fiscal year 2014.

In fiscal year 2013, a lease purchase agreement was entered into between Empire Office Machines and the District. This lease-purchase agreement provided a method of financing a Taskalpha Copier 3550 for the District. The amount due on this lease purchase is reflected as a liability on the financial statements of the District in the Statement of Net Position. The district capitalized machinery and equipment of \$9,700 for this copier. The principal balance was \$5,200 as of June 30, 2014.

In February, 2014 a lease purchase agreement was entered into between Empire Office Machines and the District. This lease-purchase agreement provided a method of financing a Taskalpha copier 4501-I for the District. The amount due on this lease purchase is reflected as a liability on the financial statements of the District in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is \$5,400. The District took possession of the copier in February 2014. No payments were made in fiscal year 2014.

In February, 2014 a lease purchase agreement was entered into between Empire Office Machines and the District. This lease-purchase agreement provided a method of financing Taskalpha copier 5501-I for the District. The amount due on this lease purchase is reflected as a liability on the financial statements of the District in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is \$7,800. The District took possession of the copier in February 2014. No payments were made in fiscal year 2014.

Future Minimum Lease Payments

For the year ended 6/30:

	<u>Taskalpha 3550</u>	<u>Taskalpha 4501-I</u>	<u>Taskalpha 5501-I</u>	<u>TOTAL</u>
2015	\$2,950	\$1,080	\$1,560	\$ 4,890
2016	2,250	1,080	1,560	5,590
2017	0	1,080	1,560	2,640
2018	0	1,080	1,560	2,640
2019	<u>0</u>	<u>1,080</u>	<u>1,560</u>	<u>2,640</u>
Totals	<u>\$5,200</u>	<u>\$5,400</u>	<u>\$7,800</u>	<u>\$18,400</u>

The lease obligation for the new 4501-I and 5501-I Taskalpha copiers totaled \$13,200. This amount was reported as proceeds from issuance of debt, and as capital outlays on the financial statements. No principal payments were made in fiscal year 2014. Interest was not imputed on the leases. The principal balance as of June 30, 2014 was \$5,400 and \$7,800 respectively.

E) OPERATING LEASES

In January of 2014, the District entered into an operating lease with American Capital for the use of a computer lab. The lease was for 3 years with annual payments of \$5,895. Total lease payments in fiscal year 2014 were \$5,895. Interest was imputed at 5%. The future commitment to the District is as follows:

Total Minimum Lease Payments	\$11,789
Less: Amount Representing Interest	<u>(840)</u>
Present Value of Net Minimum Lease payments	<u>\$10,949</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 10. JOINT VENTURES**

A) SPECIAL EDUCATION COOPERATIVE

The District is a member of the **Prickly Pear Cooperative, a Special Education Cooperative**. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of the District, and the financial statements of the Cooperative are not included in the Districts' financial statements. The Cooperative's financial statements are audited separately from those of the District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Lewis and Clark County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All fixed assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

B) INTERLOCAL AGREEMENT

The District has an interlocal agreement with the Jefferson High School District No. 1 for school food services. The District provides school food services to the Jefferson district. The District receives all school food grant monies for meals served for both districts. The Jefferson district pays an additional amount to the District in proportion to the food expenditures and the number of meals served.

C) TRANSPORTATION AGREEMENT

In July 2013, the District entered into a transportation agreement with Harlow Bus Service Inc. for bus route service. The term of the agreement was for 5 years beginning July 1, 2013 and ending June 30, 2018. Harlow Bus Service will provide, furnish and operate at its sole expense, school bus vehicles and drivers to transport all students to and from school and for student activities. The total paid to Harlow Bus Service in fiscal year 2014 for bus route service was \$49,100. For fiscal years 2014, 2015 and 2016, rates will be \$2.55, \$2.68, and \$2.78 respectively. Fiscal year 2017 and 2018 rates will be based on the Current Price Index. The District pays the fuel costs for operating the buses.

**NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS**

Plan Description – In accordance with MCA (2-18-704) the District allows employees who are at least age 50 with at least 5 years of service to remain on the District's health insurance plan after retiring from the district as long as they pay the same premium as active employees. Since retirees are usually older than the average age of the active participants, they receive a benefit of lower insurance rates. This benefit is referred to as the "OPEB liability." The District has less than 100 plan members and elected to use the "Alternative Measurement Method" to calculate its OPEB liability. The OPEB plan does not provide a stand-alone financial report. The District pays 100% of the single active employee's health insurance premium. The implicit subsidy is \$684 per member and \$1,364 per member and spouse. The required schedule of funding progress is reported in the Required Supplementary Section of this report which is immediately following the notes to the financial statements.

**Funding Policy** - The District pays OPEB liabilities on a "pay-as-you-go" basis. The District's OPEB liability is amortized on a level dollar basis annually until the Actuarial Accrued Liability (AAL) is reached. A trust fund for future liabilities has not been established. Therefore, the District's OPEB liability will continue to grow until it reaches the Actuarial Accrued Liability (AAL) which is reported under the funding status heading on the following page.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Funding status and progress** - As of June 30, 2014 the funded status of the plan was as follows:

	<u>Alternative Measurement Method</u>
Actuarial Accrued Liability (AAL)	\$ 72,295
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	72,295
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$1,176,394
UAAL as a percentage of covered payroll	6%
Date of latest AAL calculation	June 30, 2014

**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 (ARC) of the employer, 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the district's net OPEB obligation.

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

	<u>Alternative Measurement Method</u>
Annual Required Contribution (ARC)	\$ 7,869
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	7,869
Contribution made	<u>0</u>
Increase in net OPEB obligation	7,869
Net OPEB obligation - beginning of year	<u>31,476</u>
Net OPEB obligation - end of year	<u>\$39,345</u>

**Actuarial Methods and Assumptions** - The following actuarial methods and assumptions were used:

Actuarial Cost Method	<u>Alternative Measurement Method</u>
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	5.5%
Average Salary Increase	2%

Health care cost rate trend

<u>Year</u>	<u>% Increase</u>
2015	3.00%
2016	3.00%
2017	3.00%
2018	3.00%
2019	3.00%
2020	3.00%
2021	3.00%
2022	3.00%
2023	3.00%
2024 and after	3.00%

Actuarial calculations reflect a long-term perspective and consistent with that perspective, the actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The district has no actuarial value of assets because the plan is not funded.

The District's Annual Required Contribution (ARC) for the current and preceding two fiscal years is illustrated below. The ARC is a misleading term, since no cash contribution is actually required. No interest has been applied to the Net OPEB obligation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fiscal Year	Annual Required	ARC Adjustment	Percent of ARC	Net OPEB
<u>Ending June 30:</u>	<u>Contribution (ARC)</u>	<u>Adjustment</u>	<u>Contributed</u>	<u>Obligation</u>
2012	\$7,193	\$ 0	0%	\$21,579
2013	\$9,897	\$ 2,704	0%	\$31,476
2014	\$7,869	\$(2,028)	0%	\$39,345

The required supplementary information section of this report presents multiple years fund information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits. The projection of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and if applicable, the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the patterns of cash shares between the employer and plan members in the future.

**NOTE 12. DEFICIT FUND BALANCES**

<u>FUND</u>	<u>BALANCE</u>	<u>HOW TO CORRECT</u>
Building	<u>\$(1,848)</u>	Board decided not to correct this deficit balance at this time

**NOTE 13. ENCUMBRANCES**

In compliance with GASB 54, the District’s encumbrances are no longer illustrated as separate balances on the governmental fund statements. Instead, they are included in each fund’s “Assigned” balance classification. The District’s encumbrances are illustrated as follows:

-----Major Funds -----

<u>General</u>	<u>Miscellaneous</u>	<u>Total</u>
\$9,006	\$1,490	<u>\$10,496</u>

The Miscellaneous fund reported an encumbrance of \$1,490 which represents an amount obligated for the 21<sup>st</sup> Century federal grant.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 for the Fiscal Year Ended June 30, 2014

	General Fund			Transportation Fund	
	Original Budget	Amended Budget	Actual	Original & Final Budget	Actual
<b>REVENUES:</b>					
District Levies	\$ 398,186	\$ 398,186	\$ 388,246	\$ 98,322	\$ 95,672
Interest Earnings	76	76	111	-	-
County Sources	-	-	-	16,020	14,702
State Sources	<u>890,797</u>	<u>940,473</u>	<u>940,473</u>	<u>20,807</u>	<u>19,330</u>
Total Revenues	<u>1,289,059</u>	<u>1,338,735</u>	<u>1,328,830</u>	<u>135,150</u>	<u>129,704</u>
<b>EXPENDITURES:</b>					
Instructional Services			762,328	-	-
Instructional Support Services			33,777	-	-
Educational Media Services			98,429	-	-
General Administrative Services			148,237	-	62,910
Operation & Maintenance Services			215,851	-	-
Transportation Services			1,162	135,150	57,546
Extracurricular			29,686	-	-
School Food Services			<u>21,420</u>	<u>-</u>	<u>-</u>
Total Current Expenditures			1,310,890	135,150	120,456
Debt Service (Principal, Interest, Fees)			<u>27,845</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,289,059</u>	<u>1,338,735</u>	<u>1,338,735</u>	<u>135,150</u>	<u>120,456</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			(9,905)		9,248
<b>FUND BALANCES:</b>					
BEGINNING FISCAL YEAR FUND BALANCES			<u>72,294</u>		<u>20,313</u>
ENDING FISCAL YEAR FUND BALANCES			<u>\$ 62,389</u>		<u>\$ 29,561</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Board of Trustees  
Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

**NOTE 1. BUDGETS**

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General fund; budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology and Flexibility), Debt Service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at the end of the fiscal year, unless the District elects to encumber supplies and personal property ordered but not received at year end.

**General Budget Policies:**

The District's funds are either budgeted or nonbudgeted in accordance with State statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are nonbudgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted Special Revenue funds. The major special revenue fund, Miscellaneous is not included in the schedule because it is not a budgeted fund. The major Debt Service fund is not included in the schedule because it is not a special revenue fund.

**Budget Operation:**

The District operates within the budget requirements for school districts as specified by State law. The financial report reflects the following budgetary standards:

- (1) Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- (2) By the first Monday in August, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the District's borders.
- (3) Before the later of the first Thursday in September or within 30 calendar days of the receipt of the Certified Taxable Valuations from the County Assessor, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- (4) Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- (5) According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the District.

**Fund Balance Reconciliation:**

The General Fund – fund balance on the Statement of Revenue, Expenditures, and Changes in fund balances is different than the General Fund – fund balance on the Schedule of Revenues, Expenditures, and Changes in fund balance (budget and actual) for major funds by \$9,006, which is attributable to encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and establishes a budget carryover of fund balances for encumbrances on the GAAP balance sheet since they do not represent GAAP expenditures or liabilities.

**NOTE 2. BUDGET AMENDMENT**

The District approved a budget amendment for \$49,676 due to unanticipated enrollment increases under the provisions of 20-9-161(1), MCA for the General fund. The State will provide the additional funds.

**NOTE 3. STATE PORTION OF TRS AND PERS**

The State portion of TRS and PERS totaling \$20,858 and \$874 respectively is included in the Retirement Fund's revenues and expenditures reported on the District's financial statements. These expenditures are exempt from budget constraints.

Board of Trustees  
 Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana 59632

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS  
 For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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))
2010	\$0	\$59,177	\$59,177	0%	\$1,122,300	5.3%
2013	0	78,119	78,119	0%	1,109,013	7%
2014	0	72,295	72,295	0%	1,176,394	6%

The purpose of the above table is to provide information that serves as a surrogate for the funding progress of the Other Post-Employment Benefit plan.

The District has elected to recalculate its OPEB Accrued Actuarial Liability (AAL) annually rather than every 3 years as required by GASBS 54.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

SCHEDULE OF COMBINED FUNDS  
 BALANCE SHEET - COMBINED FUNDS  
 as of June 30, 2014

	General Fund	Metal Mines Fund	Flexibility Fund	Total Combined Funds
<b>ASSETS:</b>				
Cash and Investments	\$ 71,395	\$ 276,362	\$ 2,206	\$ 349,963
Taxes Receivable	<u>71,361</u>	<u>-</u>	<u>-</u>	<u>71,361</u>
Total Assets	<u><u>142,756</u></u>	<u><u>276,362</u></u>	<u><u>2,206</u></u>	<u><u>421,324</u></u>
<b>LIABILITIES:</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	<u>71,361</u>	<u>-</u>	<u>-</u>	<u>71,361</u>
TOTAL DEF INFLOWS OF RESOURCES	<u><u>71,361</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>71,361</u></u>
<b>FUND BALANCES:</b>				
Restricted:				
Instruction	-	-	-	-
Media	-	-	-	-
Transportation	-	-	-	-
Debt Service	-	-	-	-
Capital Acquisitions	-	-	-	-
Committed:				
Instruction	-	276,362	-	276,362
School Food Service	-	-	-	-
Student and Staff Support	-	-	-	-
Assigned - Instruction	9,006	-	-	9,006
Unassigned:	<u>62,389</u>	<u>-</u>	<u>2,206</u>	<u>64,595</u>
Total Fund Balances	<u><u>71,395</u></u>	<u><u>276,362</u></u>	<u><u>2,206</u></u>	<u><u>349,963</u></u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u><u>\$ 142,756</u></u>	<u><u>\$ 276,362</u></u>	<u><u>\$ 2,206</u></u>	<u><u>\$ 421,324</u></u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

SCHEDULE OF COMBINED FUNDS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - COMBINED FUNDS  
 For the Year Ended June 30, 2014

	General Fund	Metal Mines Fund	Flexibility Fund	Total Combined Funds
<b>REVENUES:</b>				
District Levies	\$ 388,246	\$ -	\$ -	\$ 388,246
Interest	111	-	-	111
Other	-	-	262	262
State	940,473	-	2,085	942,557
Total Revenues	<u>1,328,830</u>	<u>-</u>	<u>2,347</u>	<u>1,331,177</u>
<b>EXPENDITURES:</b>				
Instructional Services	781,956	11,428	2,401	795,784
Instructional Support Services	33,777	-	-	33,777
Educational Media Services	98,429	-	-	98,429
General Administrative Services	148,237	-	829	149,066
Operation & Maintenance Services	215,851	-	-	215,851
Transportation Services	1,162	-	-	1,162
Extracurricular	29,686	-	-	29,686
School Food Services	21,420	-	-	21,420
Total Current Expenditures	1,330,518	11,428	3,230	1,345,175
Debt Service (Principal, Interest, Fees)	27,845	-	-	27,845
Total Expenditures	<u>1,358,363</u>	<u>11,428</u>	<u>3,230</u>	<u>1,373,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(29,532)	(11,428)	(883)	(41,843)
<b>FUND BALANCES:</b>				
Beginning of the Year	100,927	287,790	3,089	391,806
Prior Period Adjustments	-	-	-	-
End of the Year	<u>\$ 71,395</u>	<u>\$ 276,362</u>	<u>\$ 2,206</u>	<u>\$ 349,963</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Boulder School District No. 7  
 Jefferson County  
 Boulder, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 (Budget and Actual)  
 BUDGETED COMBINED FUNDS  
 for the Fiscal Year Ended June 30, 2014

	General Fund			Flexibility Fund	
	Original Budget	Amended Budget	Actual	Original & Final Budget	Actual
<b>REVENUES:</b>					
District Levies	\$ 398,186	\$ 398,186	\$ 388,246	\$ -	\$ -
Interest Earnings	76	76	111	-	-
Other	-	-	-	-	262
State Sources	<u>890,797</u>	<u>940,473</u>	<u>940,473</u>	<u>2,085</u>	<u>2,085</u>
Total Revenues	<u>1,289,059</u>	<u>1,338,735</u>	<u>1,328,830</u>	<u>2,085</u>	<u>2,347</u>
<b>EXPENDITURES:</b>					
Instructional Services			781,956	-	2,401
Instructional Support Services			33,777	-	-
Educational Media Services			98,429	-	-
General Administrative Services			148,237	-	829
Operation & Maintenance Services			215,851	-	-
Transportation Services			1,162	-	-
Extracurricular			29,686	-	-
School Food Services			<u>21,420</u>	<u>-</u>	<u>-</u>
Total Current Expenditures			1,330,518	-	3,230
Debt Service (Principal, Interest, Fees)			<u>27,845</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,289,059</u>	<u>1,338,735</u>	<u>1,358,363</u>	<u>-</u>	<u>3,230</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			(29,532)		(883)
<b>FUND BALANCES:</b>					
BEGINNING FISCAL YEAR FUND BALANCES			<u>100,927</u>		<u>3,089</u>
ENDING FISCAL YEAR FUND BALANCES			<u>\$ 71,395</u>		<u>\$ 2,206</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year Ended June 30, 2014

	Reported Enrollment	Per Audit	Difference
<b>FALL ENROLLMENT</b>			
<b>OCTOBER 2013</b>			
Kindergarten:	21	21	0
Grades 1 - 6:	120	120	0
Junior High:	<u>55</u>	<u>55</u>	<u>0</u>
Total Elementary:	<u>196</u>	<u>196</u>	<u>0</u>
<b>WINTER ENROLLMENT</b>			
<b>DECEMBER 2013</b>			
Kindergarten:	19	19	0
Grades 1 - 6:	123	123	0
Junior High:	<u>54</u>	<u>54</u>	<u>0</u>
Total Elementary:	<u>196</u>	<u>196</u>	<u>0</u>
<b>SPRING ENROLLMENT</b>			
<b>FEBRUARY 2014</b>			
Kindergarten:	18	18	0
Grades 1 - 6:	123	123	0
Junior High:	<u>56</u>	<u>56</u>	<u>0</u>
Total Elementary:	<u>197</u>	<u>197</u>	<u>0</u>

BOULDER ELEMENTARY SCHOOL  
 END OF YEAR REVENUES & EXPENSES  
 STUDENT ACTIVITY FUND  
 June 30, 2014

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
JUNIOR HIGH	\$ 15,174	\$ 12,993	\$ 13,138	\$ 15,029
ASP	7,261	11,604	8,486	10,379
TIP	356	-	356	-
STUDENT COUNCIL	491	-	491	-
YEAR BOOK	225	845	760	310
SPECIAL ED	79	-	79	-
GYM FUND	425	1,919	1,601	743
DONATIONS	13	-	13	-
SCIENCE FAIR	53	-	53	-
LIBRARY	783	2,028	1,964	847
MISC	420	1,267	797	889
ASP GARDEN	164	811	86	890
SERVICE LEARNING	1,598	444	221	1,821
MCT	224	-	125	99
COAT DRIVE	100	100	-	200
SUBTOTAL	27,364	32,011	28,170	31,206
Less: TRANSFERS		(991)	(991)	
TOTAL	\$ 27,364	\$ 31,019	\$ 27,178	\$ 31,206

**T**ripp & **A**ssociates  
1645 Ave. D, Suite E  
Billings, Montana 59102

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  
Boulder School District No. 7  
Jefferson County  
Boulder, Montana 59632

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 Boulder School District No. 7 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Boulder School District No. 7's basic financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Boulder School District No. 7'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 Boulder School District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Boulder School District No. 7's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Boulder School District No. 7's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 the audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tripp & Associates*

**T**ripp & **A**ssociates  
Billings, Montana  
December 19, 2014

SCHEDULE OF FINDINGS AND RESPONSES

**A.** Summary of Auditor's Results

***Financial Statements:***

The auditor, Tripp & Associates, has issued an unmodified opinion on Boulder School District No. 7's financial statements as of and for the year ended June 30, 2014.

***Internal Control over financial reporting:***

- Material Weaknesses identified?                    \_\_\_ YES         X  NO
- Significant Deficiencies identified?                \_\_\_ YES         X  NONE REPORTED

Noncompliance material to financial  
statements noted?                                        \_\_\_ YES         X  NO

**B.** Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

There were no findings or recommendations.