

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

**LIBERTY COUNTY
CHESTER, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Chester-Joplin-Inverness School District No. 48-1J & 48-2J
Liberty County
Chester, Montana 59522

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Chester-Joplin-Inverness School District No. 48-1J & 48-2J
Liberty County
Chester, Montana 59522

ORGANIZATION

BOARD OF TRUSTEES

Brett Earl	Chair
Gregory Woods	Vice Chair
Jeffrey Mattson	Trustee
Brad Kammerzell	Trustee
Chandra LaFrentz	Trustee

OFFICIALS

Thad M. Kaiser	Superintendent
Renee K. Richter	District Clerk
Rachel Ghekiere	County Superintendent
Hugh Brown	County Attorney

Chester-Joplin-Inverness School Districts 48-1J & 48-2J
PO Box 550
Chester, Montana 59522

Management Discussion and Analysis (MD&A)
Fiscal year: July 1, 2013 – June 30, 2014

The purpose of the MDA&A is to provide currently known facts in an objective and easily readable breakdown of the district's financial activities. The Business Manager/Clerk of the Chester-Joplin-Inverness School District has provided this information based on currently known facts, decisions, and/or conditions.

Using this financial report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). This is the 10th year for the Chester-Joplin-Inverness School district as the school district became in existence due to consolidation of the former Chester and J-I School districts on July 1, 2005. Components and purposes of the report are explained below. This MD&A was developed in conjunction with the 2014 independent financial audit. Where appropriate, citations referencing the independent financial report are included by page number.

Brief discussion of the Basic Financial Statements

The report includes district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus and the accrual basis accounting. Activities that are fiduciary in nature are independent of this financial reporting.

Governmental (District) Funds reporting focuses on the sources (i.e. property taxes, state and federal revenues), uses (such as instruction, student services, administration), and balances of the current financial resources.

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. That statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Other 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 building, equipment and other long-lived property; and some assets are available to fund budgets in the following year.

The Statement of Activities show the amounts of program-specific and general school district revenues and associated expenses used to support the school district's various functions.

Reporting the District's Trust and Fiduciary Responsibilities – fiduciary fund types are used to account for assets held by the District; as a trustee and/or an agent for other entity (i.e. individuals, private organizations, other governmental units, and/or other units). The CJI School district is the fiduciary for the students' extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in fiduciary Net Position. The district cannot use these assets to fund its' operations.

The Balance Sheet and Statements 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 food service, debt service and capital outlay funds. These funds are the modified accrual basis of accounting and represent the majority of the district's activities and programs. With modified accrual accounting, revenues are recognized as the funds become available and expenditures are documented when the liability is incurred.

Fund statements include a reconciliation of the governmental fund statement to the district-wide statements. Most significant differences result from the use of different presentation basis. 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 Most Significant Funds

The fund statements detail information about those funds used by the C-J-I district. State law and Generally Accepted Accounting Principles (GAAP) establish the funds school district utilize. State law generally requires school districts to set apart money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. State law also limits the transfer of monies between funds; generally, each fund is autonomous and managed accordingly.

The fund statements report balances and activities of the most significant, or “major” funds separately. The activities of less significant funds are combined into a single category: Other Governmental Funds. Significance of funds is determined based on the proportional size of the funds (at least, 10% of the total of all funds), the relative importance of the activities of the funds to the school district’s operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column: Other Governmental Funds.

Major Funds as Identified in the Governmental Funds Statement.

1. General Fund
2. Transportation Fund
3. Flexibility Fund
4. School Food Services

Condensed Financial Information

Generally, historical information from the prior year is shown to illustrate trends, problems, and achievement of the District’s goals.

NET POSITION	Governmental Activities			
	2014	2013	CHANGE	% CHANGE
Current Assets	\$ 1,442,202	\$ 1,757,549	\$ (315,347)	-17.94%
Capital Assets, net	<u>479,414</u>	<u>354,232</u>	<u>125,182</u>	<u>35.34%</u>
Total Assets	1,921,616	2,111,781	(190,165)	-9.00%
Current Liabilities	12,888	15,375	(2,487)	-16.18%
Long Term Liabilities	<u>69,081</u>	<u>55,484</u>	<u>13,597</u>	<u>24.51%</u>
Total Liabilities	81,969	70,859	11,110	15.68%
Net Position:				
Net Investment in Capital Assets	479,414	348,526	130,888	37.55%
Restricted	692,043	873,850	(181,807)	-20.81%
Unrestricted	<u>668,190</u>	<u>818,546</u>	<u>(150,356)</u>	<u>-18.37%</u>
Total Net Position	1,839,647	2,040,922	(201,275)	-9.86%

CHANGES IN NET POSITION

Governmental Activities

	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	66,308	80,987	(14,679)	-18.13%
Operating Grants	456,385	337,033	119,352	35.41%
General Revenues:				
District Levies	931,534	928,804	2,730	0.29%
State Equalization	888,931	854,647	34,284	4.01%
Other State Revenues	650,240	725,889	(75,649)	-10.42%
County	244,585	226,622	17,963	7.93%
Interest	11,936	7,823	4,113	52.58%
Gain on Asset	5,108	411	4,697	1142.82%
Other	<u>3,062</u>	<u>12,046</u>	<u>(8,984)</u>	<u>-74.58%</u>
Total Revenues	3,258,088	3,174,262	83,826	2.64%
Program Expenses				
Instructional Services	1,814,253	1,549,499	264,754	17.09%
Support Services	114,259	68,572	45,687	66.63%
Educational Media Services	48,668	65,501	(16,833)	-25.70%
General Administrative Services	424,360	359,328	65,032	18.10%
Operation & Maintenance Services	518,445	547,880	(29,435)	-5.37%
Transportation Services	225,602	252,948	(27,346)	-10.81%
School Food Services	136,749	137,410	(661)	-0.48%
Extracurricular	130,378	120,293	10,085	8.38%
Interest	-	1,354	(1,354)	-100.00%
Unallocated Depreciation Expense *	<u>42,248</u>	<u>15,101</u>	<u>27,147</u>	<u>179.77%</u>
Total Expenses	<u>3,454,964</u>	<u>3,117,886</u>	<u>337,078</u>	<u>10.81%</u>
Change in Net Position	(196,875)	56,376	(253,251)	

Analysis of the District's Overall Financial Position/Highlights

A new 2015 Bluebird activities bus was purchased for \$166,900 in February of 2014 from the Bus Depreciation fund. One older bus was traded in on the purchase and another older bus was sold.

The third phase of the heating system was mostly completed during the 2013-14 school year. This is the final phase of the three year project. A new side walk was put in on the north side of the school; the old side walk had a slope in it and was difficult to walk on in the winter months when it was icy. Also, new front steps were put in on the east side of the high school building leading to the main office. New windows were installed on the east side of the high school building in the summer of 2014. Security cameras were updated over the summer.

The District's expenditures were 10.81% higher for 2013-14 compared to 2012-13. There were increases in salaries, a new technology contract with the Schoolhouse IT, the adoption of Infinite Campus software for district wide student data, continual updates of curriculum to meet Common Core Standards, extracurricular expenses and additional maintenance repairs accounted for some of the increase.

CJI School offered a retirement incentive for teachers with 20 plus years of continuous service. There were four teachers who took this incentive offer. This should help lower salary costs next year.

Senate Bill 329 allowed the Chester-Joplin-Inverness District to enter into a Multidistrict Agreement between the Elementary and High School Districts in November of 2012. The Board voted to continue the Multidistrict Agreement for the 2013-2014 school year. The purpose of the agreement is to pay for salaries, utilities, supplies, books and technology equipment for the participating districts. In March of 2014, the Board agreed to a three year Multi-District agreement beginning July 1, 2014 and continuing through June 30, 2017.

The colony contract with Riverview Colony will not be renewed for the 2014-2015 school year. The enrollment at Riverview is down to 5 students. However, CJI School did add the Cool Springs Colony School to our district; they will have an enrollment of 13.

Significant Variations between Original and Final Budgets

There were no significant variations between the original and final budget amounts and actual budget results for the General Fund. The value of a mill is set after school budgets are voted; this adjustment accounts for any minor variations in budgeted amounts versus actual amounts.

Significant Capital Asset and Long-term Debt Activity

The District has not entered into any short or long term debt commitments, including capital expenditures. There are no borrowed funds. The only long-term District debt is for future obligations for unpaid leave and/or compensated absences.

If you have questions about this report or need additional information, contact the Superintendent or Clerk of Chester-Joplin-Inverness Schools at 759-5108.

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chester-Joplin-Inverness School District No. 48-1J & 48-2J
Liberty County
Chester, Montana 59522

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chester-Joplin-Inverness School District No. 48-1J & 48-2J as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chester-Joplin-Inverness School District No. 48-1J & 48-2J as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 30) 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chester-Joplin-Inverness School District No. 48-1J & 48-2J's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 31) and schedule of reported enrollment (page 32) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment 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 accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2015 on our consideration of Chester-Joplin-Inverness School District No. 48-1J & 48-2J internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chester-Joplin-Inverness School District No. 48-1J & 48-2J internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
June 7, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,339,322
Taxes Receivable	57,218
Due From Other Governments	<u>45,661</u>
Total Current Assets	<u>1,442,201</u>
Noncurrent Assets:	
Capital Assets:	
Land	141,190
Net Depreciable Assets	<u>338,224</u>
Total Noncurrent Assets	<u>479,414</u>
Total Assets	<u>\$ 1,921,615</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	\$ <u>12,888</u>
Total Current Liabilities	<u>12,888</u>
Noncurrent Liabilities:	
Long-Term Obligations	37,235
Compensated Absences	<u>31,920</u>
Total Noncurrent Liabilities	<u>69,155</u>
Total Liabilities	<u>82,043</u>
NET POSITION:	
Net investment in capital assets	479,414
Restricted	692,042
Unrestricted (Deficit)	<u>668,116</u>
Total Net Position	<u>1,839,572</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,921,615</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
				Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 1,814,875	\$ 1,700	\$ 228,747	\$ (1,584,428)
Support Services	114,260	-	62,204	(52,056)
Educational Media Services	48,668	-	-	(48,668)
General Administrative Services	426,513	-	-	(426,513)
Operation & Maintenance Services	520,192	12,980	56,250	(450,962)
Transportation Services	247,041	-	56,844	(190,197)
School Food Services	136,748	51,628	52,341	(32,779)
Extracurricular	130,378	-	-	(130,378)
Unallocated Depreciation Expense *	16,363	-	-	(16,363)
Total Governmental Activities	3,455,038	66,308	456,386	(2,932,344)
GENERAL REVENUES				
District Levies				931,535
State Equalization				888,931
Other State Revenues				650,240
County				244,585
Interest				11,933
Other				3,061
Gain loss on Sale of Assets				8,608
Total General Revenues				2,738,893
Change in Net Position				(193,451)
Net Position				
Beginning of the Year				2,040,922
Prior Period Adjustments				(7,899)
End of the Year				\$ 1,839,572

* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR				Total Governmental Funds
	General	Transportation (HS)	School Food Services (HS)	Other Governmental Funds	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 720,626	\$ 17,652	\$ 9,833	\$ 591,211	\$ 1,339,322
Taxes Receivable	45,543	1,983	-	9,692	57,218
Due From Other Governments	-	-	-	45,661	45,661
Total Assets	\$ 766,169	\$ 19,635	\$ 9,833	\$ 646,564	\$ 1,442,201
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	45,543	1,983	-	9,692	57,218
Total Deferred Inflows of resources	45,543	1,983	-	9,692	57,218
FUND BALANCE:					
Fund Balances:					
Restricted	-	17,652	9,833	636,872	664,357
Assigned	276,083	-	-	-	276,083
Unassigned:	444,543	-	-	-	444,543
Total Fund Balance	720,626	17,652	9,833	636,872	1,384,983
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 766,169	\$ 19,635	\$ 9,833	\$ 646,564	\$ 1,442,201

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,384,983
Governmental Capital Assets	479,414
Long-term Liabilities	
Long-Term Obligations	(37,235)
Compensated Absences	(44,808)
Unavailable Property Taxes Receivable	57,218
Net Position of Governmental Activities	\$ 1,839,572

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

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

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General	Transportation (HS)	School Food Services (HS)		
REVENUES:					
District Levies	\$ 721,803	\$ 32,234	\$ -	\$ 174,601	\$ 928,638
Interest	6,653	158	60	5,062	11,933
Charges for Services	-	-	51,628	14,680	66,308
Other	2,332	-	35	114,958	117,325
County	-	28,939	-	168,632	197,571
State	1,530,237	50,244	802	178,036	1,759,319
Federal	-	-	51,539	117,449	168,988
Total Revenues	<u>2,261,025</u>	<u>111,575</u>	<u>104,064</u>	<u>773,418</u>	<u>3,250,082</u>
EXPENDITURES:					
Current					
Instructional Services	1,347,562	-	-	461,665	1,809,227
Support Services	49,246	-	-	65,014	114,260
Educational Media Services	42,490	-	-	6,178	48,668
General Administrative Services	331,893	20,474	-	68,028	420,395
Operation & Maintenance Services	464,192	263	-	44,345	508,800
Transportation Services	6,871	108,555	-	110,176	225,602
School Food Services	30,882	-	100,070	7,618	138,570
Extracurricular	118,840	-	-	11,538	130,378
Debt Service					
Principal	-	-	-	5,706	5,706
Capital Outlay	-	-	-	163,930	163,930
Total Expenditures	<u>2,391,976</u>	<u>129,292</u>	<u>100,070</u>	<u>944,198</u>	<u>3,565,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(130,951)</u>	<u>(17,717)</u>	<u>3,994</u>	<u>(170,780)</u>	<u>(315,454)</u>
OTHER FINANCING SOURCES/USES					
Sale of Capital Assets	98	-	-	5,010	5,108
Fund Transfers In	27,624	-	-	1,315	28,939
Fund Transfers (Out)	(1,315)	-	-	(27,624)	(28,939)
Total Other financial Sources/Uses	<u>26,407</u>	<u>-</u>	<u>-</u>	<u>(21,299)</u>	<u>5,108</u>
NET CHANGES IN FUND BALANCES					
	<u>(104,544)</u>	<u>(17,717)</u>	<u>3,994</u>	<u>(192,079)</u>	<u>(310,346)</u>
FUND BALANCE:					
Beginning of the Year	829,377	35,369	6,786	831,696	1,703,228
Prior Period Adjustments	(4,207)	-	(947)	(2,745)	(7,899)
End of the Year	<u>\$ 720,626</u>	<u>\$ 17,652</u>	<u>\$ 9,833</u>	<u>\$ 636,872</u>	<u>\$ 1,384,983</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Chester-Joplin-Inverness School District No 48-1J&48-2J
Liberty County
Chester, Montana 59522

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

Net Changes in Fund Balance		\$	(310,346)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			2,897
Gain on Asset			3,500
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(42,248)		
(Increase) decrease in Other Post Employment Benefits	(7,447)		
(Increase) decrease in compensated absence liability	<u>(9,443)</u>		(59,138)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	163,930		
Principal payments on bonds	<u>5,706</u>		<u>169,636</u>
Change in net position reported on the Statement of Activity		\$	<u>(193,451)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 as of June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 108,586	\$ 89,609
Total Assets	<u>108,586</u>	<u>89,609</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	88,937
Due to Others	-	<u>672</u>
Total Liabilities	<u>-</u>	<u>89,609</u>
NET POSITION:		
Restricted for Endowment	26,138	
Restricted for Student Activities	<u>82,448</u>	
Total Net Position	<u>\$ 108,586</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 110,860
Contributions to Endowment	<u>192</u>
Total Additions	<u>111,052</u>
DEDUCTIONS:	
Expenses of Student Activities	113,156
Student Scholarships	<u>1,000</u>
Total Deductions	<u>114,156</u>
CHANGE IN NET POSITION	(3,104)
NET POSITION:	
Beginning of the Year	<u>111,690</u>
End of the Year	<u>\$ 108,586</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Chester-Joplin-Inverness School District No. 48-1J & 48-2J (School 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 School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (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 School 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 School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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:

- Charges for services such as school lunch fees and facility rental fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

In addition to funds that meet the major fund criteria, any other governmental that government officials believe is particularly important to financial statement users may be reported as a major fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School 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. On the GASB 34 financial statements the general fund also includes the activities of the inter-local agreement fund and the flexibility funds since the restrictions on those funds are similar to the general fund.
- High School Transportation Fund – This fund is used to account for financing the maintenance and operation of School District owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.
- High School Food Fund – This fund is used to account for financing of the national school food program. Deposits made to the fund include federal school food payments, state matching payments, and collections from student and adult participants in the lunch program. Expenditures are for employees involved in the preparation of the food, the food and equipment needed to sustain the program.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury 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. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the School 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 external investment pool is audited as part of Liberty County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School 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 School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. c. 4 CAPITAL ASSETS

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	10 – 50 years
Machinery and Equipment	5 – 25 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School 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. Classified School 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 at the current rate of pay.

Certified School District employees shall accrue 10 days of sick leave each year. Unused sick leave will be accruable to 75 days. Accumulations above 75 days are paid out at year end. Upon termination, nothing is paid.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are 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 \$12,888 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 13,220	\$ 276,083
Operations and Maintenance	28,580	0
Student Transportation	171,204	0
School Food	9,833	0
Third Party Grantor Restrictions	153,454	0
Employer Retirement Benefits	59,892	0
Future Technology	47,245	0
Future Capital Costs	170,343	0
Debt Service	10,586	0
Total	<u>\$ 664,357</u>	<u>\$ 276,083</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER

1. d. 1 USE OF 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 and the disclosure of 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.

1.d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Funds</u>	
Cash and Cash Equivalents	<u>\$ 1,339,322</u>	<u>\$ 198,195</u>	<u>\$ 1,537,517</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Demand Accounts	\$ 82,448
County Investment Pool	1,455,069
Total	<u>\$ 1,537,517</u>

Cash resources of the School District are held and managed by the Liberty County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Liberty County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S. government securities and STIP and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Liberty County government. Because of the custodial involvement of the Liberty County government, and the commingling of cash in County deposits in the name of the Liberty County Treasurer, full risk classifications according to GASB 40 are available in the Liberty County's annual report. There is no known maturity and credit rating of the Liberty County Investment Pool.

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The cash of the extracurricular funds is held separately by the School District, not at the Liberty County. As of June 30, 2014, \$82,448 was exposed to custodial credit risk and was covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$8,760,163 for the Elementary School District and \$9,185,210 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	51.65	\$ 29,533
Transportation	5.39	2,756
Bus Depreciation	1.81	462
Technology	1.71	959
Debt Service	0.00	252
Building Reserve	2.85	1,504
<u>High School Fund</u>		
General*	30.16	16,010
Transportation*	3.55	1,983
Bus Depreciation	3.25	1,038
Adult Education	0.31	241
Technology	1.63	937
Debt Service	0.00	78
Building Reserve	2.72	1,465
Total	<u>105.03</u>	<u>\$ 57,218</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous	\$ 43,738	State of MT	Title I Part A grant
<u>High School Fund</u>			
Miscellaneous	1,923	State of MT	Gifted & Talented grant
Total	<u>\$ 45,661</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 141,190	\$ 0	\$ 0	\$ 141,190
<u>Depreciable:</u>				
Buildings	\$ 1,886,255	\$ 0	\$ 0	\$ 1,886,255
Major Equipment	616,721	167,430	126,772	657,379
Total Depreciable	<u>\$ 2,502,976</u>	<u>\$ 167,430</u>	<u>\$ 126,772</u>	<u>\$ 2,543,634</u>
<u>Accumulated Depreciation:</u>				
Buildings	\$ (1,754,141)	\$ (16,362)	\$ 0	\$ (1,770,503)
Major Equipment	(535,793)	(25,886)	(126,772)	(434,907)
Total Depreciation	<u>\$ (2,289,934)</u>	<u>\$ (42,248)</u>	<u>\$ (126,772)</u>	<u>\$ (2,205,410)</u>
Net Depreciable Assets	<u>213,042</u>	<u>125,182</u>	<u>0</u>	<u>338,224</u>
Net Governmental Capital Assets	<u>\$ 354,232</u>	<u>\$ 125,182</u>	<u>\$ 0</u>	<u>\$ 479,414</u>

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 547
School Administration	2,152
Operation & Maintenance	1,747
Transportation	21,439
Unallocated	16,363
Total Depreciation Expense	<u>\$ 42,248</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Other Liabilities:</u>					
Compensated Absences	\$ 35,364	\$ 9,444	\$ 0	\$ 44,808	\$ 12,888
SID	5,706	0	5,706	0	0
Other Post-Employment Benefits (OPEB)	29,788	7,447	0	37,235	0
Total Other Liabilities	<u>\$ 70,858</u>	<u>\$ 16,891</u>	<u>\$ 5,706</u>	<u>\$ 82,043</u>	<u>\$ 12,888</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 70,858</u>	<u>\$ 16,891</u>	<u>\$ 5,706</u>	<u>\$ 82,043</u>	<u>\$ 12,888</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 29,533	Taxes Receivable
Transportation	2,756	Taxes Receivable
Bus Depreciation	462	Taxes Receivable
Technology	959	Taxes Receivable
Debt Service	252	Taxes Receivable
Building Reserve	1,504	Taxes Receivable
<u>High School Fund</u>		
General*	16,010	Taxes Receivable
Transportation*	1,983	Taxes Receivable
Bus Depreciation	1,038	Taxes Receivable
Adult Education	241	Taxes Receivable
Technology	937	Taxes Receivable
Debt Service	78	Taxes Receivable
Building Reserve	1,465	Taxes Receivable
Total	<u>\$ 57,218</u>	

* Denotes Major Funds

NOTE 8. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	\$ 1,315	Compensates Absences - Allowable transfer for liability reserve
<u>High School Fund - From</u>		<u>High School Fund - To</u>
Bus Depreciation	27,624	Inter-local Agreement - Allowable transfer for inter-district projects
Total	<u>\$ 28,939</u>	

* Denotes Major Funds

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 9. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 6,635	Excess funds from payroll clearing fund
General*	(3,247)	June FY13 bonus payroll not posted until FY14
Retirement	(716)	June FY13 bonus payroll not posted until FY14
Miscellaneous	(919)	June FY13 bonus payroll not posted until FY14
<u>High School Fund</u>		
General*	(7,595)	June FY13 bonus payroll not posted until FY14
School Food*	(947)	June FY13 bonus payroll not posted until FY14
Retirement	(1,110)	June FY13 bonus payroll not posted until FY14
Total	<u>\$ (7,899)</u>	

* Denotes Major Funds

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$4,129 per member and spouse. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 40% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 192,011
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>192,011</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,418,799
UAAL as a percentage of covered payroll	14%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal 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 government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2014.

Annual Required Contribution (ARC)	\$ 7,373
Interest on net OPEB obligation	74
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	7,447
Contribution made	<u>0</u>
Increase in net OPEB obligation	7,447
Net OPEB obligation - beginning of year	<u>29,788</u>
Net OPEB obligation - end of year	<u>\$ 37,235</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	1.0%
Average Salary Increase	2.0%
 Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 11. OTHER COMMITMENTS

11. a. 1 ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 52,544
Miscellaneous	2,223
Technology	2,237
<u>High School Fund</u>	
General*	25,958
Bus Depreciation	980
Miscellaneous	1,535
Technology	6,760
Flexibility	158,007
Inter-Local Agreement	39,574
Total	<u>\$ 289,818</u>

* Denotes Major Funds

NOTE 12. RISK MANAGEMENT

The School 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 School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages. 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 13. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School 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.

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:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.doa.state.mt.us

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

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

Contribution rates for both plans are required and determined by State law. 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, School 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	\$ 210,181	\$ 208,019	\$ 317,982
PERS	<u>34,926</u>	<u>28,983</u>	<u>37,205</u>
Total	<u>\$ 245,107</u>	<u>\$ 237,002</u>	<u>\$ 355,187</u>

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The Chester-Joplin-Inverness School District No. 48-1J & 48-2J is a member of the Bear Paw Special Education 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 Chester-Joplin-Inverness School District No. 48-1J & 48-2J, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School 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 Blaine County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital 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.

NOTE 15. TRANSPORTATION

The District contracts its student transportation needs with RM Auto for 5 routes. RM Auto provides buses, drivers, and maintenance of the buses for all student transportation needs of the District. The contract is for two years from fiscal year 2013 through 2014 for \$1.65 per mile with adjustments for fuel and mileage changes. Transportation fees paid to RM Auto in fiscal year 2014 were \$174,500.

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>0</u>	<u>192,011</u>	<u>192,011</u>	<u>0</u>	<u>1,418,799</u>	<u>14%</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General (Elem)			Transportation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 452,475	\$ 452,475	\$ 448,479	\$ 32,613	\$ 32,613	\$ 32,234
Interest	1,224	1,224	2,103	-	-	158
Other	135	135	-	-	-	-
County	-	-	1,176	32,542	32,542	28,939
State	777,449	777,449	778,724	55,476	55,476	50,244
Total Revenues	1,231,283	1,231,283	1,230,482	120,631	120,631	111,575
EXPENDITURES:						
Current						
Instructional Services			843,943	-	-	-
Support Services			24,748	-	-	-
Educational Media Services			21,518	-	-	-
General Administrative Services			163,736	20,474	20,474	20,474
Operation & Maintenance Services			142,278	263	263	263
Transportation Services			3,407	109,263	109,263	108,555
School Food Services			17,972	-	-	-
Extracurricular			33,195	-	-	-
Total Current Outlays			1,250,797	130,000	130,000	129,292
Capital Outlay			23,113	-	-	-
Total Expenditures	1,309,692	1,309,692	1,273,910	130,000	130,000	129,292
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(78,409)	(78,409)	(43,428)	(9,369)	(9,369)	(17,717)
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			-	-	-	-
Fund Transfers (Out)			(1,315)	-	-	-
Total Other financial Sources/Uses	-	-	(1,315)	-	-	-
NET CHANGES IN FUND BALANCES	(78,409)	(78,409)	(44,743)	(9,369)	(9,369)	(17,717)
FUND BALANCE:						
Beginning of the Year			210,731			35,369
Prior Period Adjustments			7,172			-
End of the Year			\$ 173,160			\$ 17,652

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General (HS)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 277,068	\$ 277,068	\$ 273,324	\$ -	\$ -	\$ -
Interest	1,245	1,245	1,892	-	-	339
Other	1,291	1,291	-	-	-	-
County	-	-	1,156	-	-	-
State	658,880	658,880	659,668	-	-	16,690
Total Revenues	<u>938,484</u>	<u>938,484</u>	<u>936,040</u>	<u>-</u>	<u>-</u>	<u>17,029</u>
EXPENDITURES:						
Current						
Instructional Services			482,493	37,869	37,869	-
Support Services			26,478	-	-	-
Educational Media Services			21,085	-	-	-
General Administrative Services			168,522	-	-	-
Operation & Maintenance Services			163,900	-	-	-
Transportation Services			3,464	-	-	-
School Food Services			12,910	-	-	-
Extracurricular			85,645	-	-	-
Total Current Outlays			<u>964,497</u>	<u>37,869</u>	<u>37,869</u>	<u>-</u>
Capital Outlay			10,809	-	-	-
Total Expenditures	<u>982,569</u>	<u>982,569</u>	<u>975,306</u>	<u>37,869</u>	<u>37,869</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(44,085)</u>	<u>(44,085)</u>	<u>(39,266)</u>	<u>(37,869)</u>	<u>(37,869)</u>	<u>17,029</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			98	-	-	-
Fund Transfers (Out)			-	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(44,085)</u>	<u>(44,085)</u>	<u>(39,168)</u>	<u>(37,869)</u>	<u>(37,869)</u>	<u>17,029</u>
FUND BALANCE:						
Beginning of the Year			141,909			37,868
Prior Period Adjustments			(7,361)			271
End of the Year			<u>\$ 95,380</u>			<u>\$ 55,168</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	1,511
Other	-	-	-
County	-	-	-
State	50,000	50,000	75,155
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>76,666</u>
EXPENDITURES:			
Current			
Instructional Services	12,389	12,389	12,389
Support Services	-	-	-
Educational Media Services	-	-	-
General Administrative Services	-	-	-
Operation & Maintenance Services	8,796	8,796	8,796
Transportation Services	-	-	-
School Food Services	-	-	-
Extracurricular	-	-	-
Total Current Outlays	<u>21,185</u>	<u>21,185</u>	<u>21,185</u>
Capital Outlay	209,771	209,771	158,007
Total Expenditures	<u>230,956</u>	<u>230,956</u>	<u>179,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(180,956)</u>	<u>(180,956)</u>	<u>(102,526)</u>
OTHER FINANCING SOURCES/USES			
Sale of Capital Assets	-	-	-
Fund Transfers (Out)	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(180,956)</u>	<u>(180,956)</u>	<u>(102,526)</u>
FUND BALANCE:			
Beginning of the Year			180,956
Prior Period Adjustments			459
End of the Year			<u>\$ 78,889</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. 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, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, 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 vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds school food and inter-local agreement are not included in the schedule because they are non-budgeted funds.

1. a. 2 Budget Operation:

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

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- 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.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$276,083, do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

NOTE 4. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Elementary Fund</u>	<u>Amount</u>
Retirement	\$ 1,450
Debt Service	12
<u>High School Fund</u>	
General*	333
Retirement	8,363
Debt Service	12
Total	<u>\$ 10,170</u>

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)
Fiscal Year-Ended June 30, 2014

NOTE 5. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (EL)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund (EL)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Sub-fund Inter-local Agreement Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:						
District Levies	\$ 448,479	\$ 273,324	\$ 0	\$ 0	\$ 0	\$ 721,803
Interest Earnings	2,103	1,892	339	1,511	808	6,653
Other	1,176	1,156	0	0	0	2,332
State Sources	<u>778,724</u>	<u>659,668</u>	<u>16,690</u>	<u>75,155</u>	<u>0</u>	<u>1,530,237</u>
Total Revenues	<u>\$ 1,230,482</u>	<u>\$ 936,040</u>	<u>\$ 17,029</u>	<u>\$ 76,666</u>	<u>\$ 808</u>	<u>\$ 2,261,025</u>
EXPENDITURES:						
Instructional Services	829,584	478,640	0	39,338	0	1,347,562
Support Services	24,748	24,498	0	0	0	49,246
Educational Media	21,469	21,021	0	0	0	42,490
General Administrative	163,707	168,186	0	0	0	331,893
Operation & Maintenance	142,759	157,807	0	8,796	154,830	464,192
Transportation	3,407	3,464	0	0	0	6,871
Extracurricular	33,195	85,645	0	0	0	118,840
School Food	<u>17,972</u>	<u>12,910</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,882</u>
Total Expenditures	<u>\$ 1,236,841</u>	<u>\$ 952,171</u>	<u>\$ 0</u>	<u>\$ 48,134</u>	<u>\$ 154,830</u>	<u>\$ 2,391,976</u>
Excess (Deficiency) of Revenue Over Expenditures	(6,359)	(16,131)	17,029	28,532	(154,022)	(130,951)
Sale of Capital Assets	0	98	0	0	0	98
Fund Transfers In	0	0	0	0	27,624	27,624
Fund Transfers (Out)	<u>(1,315)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,315)</u>
Net Changes In Fund Balance	(7,674)	(16,033)	17,029	28,532	(126,398)	(104,544)
FUND BALANCE:						
Beginning of the Year	229,990	144,966	38,139	208,364	207,918	829,377
Prior Period Adjustment	<u>3,388</u>	<u>(7,595)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,207)</u>
Ending of the Year	<u>225,704</u>	<u>121,338</u>	<u>55,168</u>	<u>236,896</u>	<u>81,520</u>	<u>720,626</u>

In the reconciliation the general funds, flexibility funds, and inter-local agreement fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility funds and inter-local agreement fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility fund because they are reported as major funds and have legally adopted budgets. The following major fund is not reported because the inter-local agreement fund is a non-budgeted special revenue fund.

Chester-Joplin-Inverness School District No 48-IJ & 48-2J
 Schedule of Revenues, Expenses and Balances
 Student Activity Funds
 Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Transfers	Ending Balance <u>6/30/2014</u>
ACTIVITY/PARTICIPATION FEES	-	8,055	1	(8,054)	-
NATIONAL FCCLA	-	6,271	5,673	-	598
ANNUAL FUND	9,479	4,040	4,162	700	10,057
ART FUND	218	462	571	-	109
ATHLETICS	(177)	24,105	32,033	4,975	(3,130)
BOYS BASKETBALL	-	2,134	173	-	1,961
C-CLUB	4,969	1,482	4,502	(48)	1,901
CHEERLEADER FUND	931	-	1	-	930
CLASS OF 12, GRADUATED	2	-	-	-	2
CLASS OF 13, GRADUATED	1,761	-	86	-	1,675
CLASS OF 14	2,292	1,222	1,801	(700)	1,013
CLASS OF 15	2,999	2,126	3,478	-	1,647
CLASS OF 16	2,554	937	179	-	3,312
CLASS OF 17	1,081	1,284	155	-	2,210
CLASS OF 18	2,001	424	127	-	2,298
CLASS OF 19	1,028	395	115	-	1,308
CLASS OF 20	2,276	3,071	3,363	-	1,984
CLASS OF 21	214	4,758	12	(143)	4,817
CLASS OF 22	50	500	153	-	397
CLASS OF 23	50	-	-	-	50
CLASS OF 24	50	-	-	-	50
CLASS OF 25	50	-	-	-	50
CLASS OF 26	-	-	-	50	50
CONCESSIONS	6,499	19,194	16,639	396	9,450
EL STUDENT COUNCIL	12,170	2,038	5,561	(50)	8,597
ENVIROTHON	(36)	3,525	2,105	-	1,384
FCCLA	2,575	6,281	8,635	-	221
FFA CLUB	49	1,876	1,378	-	547
FOOTBALL	-	1,490	1,452	-	38
GIRLS BASKETBALL	-	3,334	1,085	(396)	1,853
HS STUDENT COUNCIL	4,039	2,360	2,693	42	3,748
HOME ECONOMICS	860	1,575	404	-	2,031
HONOR SOCIETY	3,939	3,434	6,251	-	1,122
LIBRARY FUND	429	-	1	-	428
MUSIC FUND	9,228	710	5,247	3,222	7,913
PLAY FUND	6,403	1,065	2,143	-	5,325
SHOP FUND	2,399	777	747	-	2,429
SPANISH CLUP	917	-	1	-	916
SPEECH-DRAMA	2,725	-	1,478	-	1,247
TENNIS	-	861	408	-	453
VOLLEYBALL TEAM	726	1,074	343	-	1,457
MISC CHARGES	(6)	-	-	6	-
Total	<u>84,744</u>	<u>110,860</u>	<u>113,156</u>	<u>-</u>	<u>82,448</u>

CHESTER-JOPLIN-INVERNESS SCHOOL DISTRICT NO. 48-1J & 48-2J

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	16	16	0
Grade 1 - 6	104	104	0
Grade 7 - 8	40	40	0
Total	<u>160</u>	<u>160</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>71</u>	<u>71</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	15	15	0
Grade 1 - 6	104	104	0
Grade 7 - 8	39	39	0
Total	<u>158</u>	<u>158</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>71</u>	<u>71</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	15	15	0
Grade 1 - 6	108	108	0
Grade 7 - 8	38	38	0
Total	<u>161</u>	<u>161</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>72</u>	<u>72</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chester-Joplin-Inverness School District No. 48-1J & 48-2J
Liberty County
Chester, Montana 59522

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 *Governmental 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 Chester-Joplin-Inverness School District No. 48-1J & 48-2J as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Chester-Joplin-Inverness School District No. 48-1J & 48-2J's basic financial statements and have issued our report thereon dated June 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chester-Joplin-Inverness School District No. 48-1J & 48-2J's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-004 and 2014-005.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as item 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester-Joplin-Inverness School District No. 48-1J & 48-2J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-001, 2014-003, and 2014-006.

Chester-Joplin-Inverness School District No. 48-1J & 48-2J's Response to Findings

The District did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
June 7, 2015

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report and following are the updated findings for the fiscal year ended June 30, 2014.

2014-001 BUDGETS:

Criteria: State code 20-9-133(2) does not allow the district to over spend its approved budgets. Condition: During fiscal year ended June 30, 2014 the district over spent its elementary and high school retirement and debt service budgets and the high school general fund budget. Effect: The effect is non-compliance with state code. Context: The Elementary and high school retirement budgets were over spent by \$1,450 and \$8,363 respectively. The elementary and high school debt service funds were each over spent by \$12. The high school general fund was over spent by \$333. Cause: The retirement and general fund excess expenditures were caused by some unexpected retirements and the debt service excess expenditures were caused by some excess SID fees. Recommendation: We recommend management not over expend its approved budgets.

2014-002 RECEIVABLES:

Criteria: Generally accepted accounting principles (GAAP) requires taxes receivable to be properly recorded. Condition: HS transportation fund taxes receivable were over stated. Effect: The effect was over stated taxes receivable and deferred revenue in the HS transportation fund. Context: The taxes receivable and deferred revenue were over stated by \$17,652. Cause: This was caused by adding the HS transportation fund cash to the taxes receivable and deferred revenue balances. Recommendation: We recommend the clerk double check the taxes receivable and deferred revenue numbers once they are entered into the Trustees Financial Summary (TFS).

2014-003 COMPLIANCE:

Criteria: Montana code 20-9-509 requires the lease rental funds of each district to have less than \$10,000 at year-end. Condition: The elementary and high school lease rental funds each had more than \$10,000 at year-end. Effect: The effect is noncompliance with state code. Context: The elementary and high school lease rental funds exceeded the state limit by \$4,179 and \$4,401 respectively. Cause: The clerk was not aware of this requirement. Recommendation: We recommend the district make sure these funds are below \$10,000 each at the end of the year.

2014-004 EXPENDITURES:

Criteria: GAAP requires expenditures to be coded correctly. Condition: Numerous expenditures were coded to capital asset expenditures but were actually repair and maintenance of the district buildings. Effect: The effect was over reported capital expenditures and under reported repair and maintenance expenditures. Context: A total of \$175,280 was coded to capital assets but was repair and maintenance. Cause: This was caused by uncertainty in what is actually a capital asset. Recommendation: We recommend the district review items coded to capital assets at year end and determine if they should be added to their capital asset inventory.

SCHEDULE OF FINDINGS AND RESPONSES
SCHEDULE OF FINDINGS AND RESPONSES (Continued)

2014-005 RECEIVABLES:

Criteria: GAAP requires receivables to be properly recorded. Condition: Grant revenue earned in fiscal year 2014 and received in fiscal year 2015 was not recorded correctly. Effect: The effect was under reported grant revenue and due from other governments. Context: Revenue and receivables were under reported by \$45,661. Cause: This was caused by a new clerk not understanding grant revenue recognition procedures. Recommendation: We recommend that the district record grant revenue to match its grant expenditures.

2014-006 STUDENT ACTIVITY:

Criteria: Extracurricular fund are to be used to support Chester SD students and should not be allowed to become over drawn. Condition: The district is holding funds in two accounts that are no longer students of the district, class of 2012 and class of 2013, and the athletic fund is over drawn as of June 30, 2014. Effect: The effect is noncompliance with Office of Public Instruction (OPI) policy and lack of internal control over account expenses. Context: OPI does not want student extracurricular accounts to hold alumni funds and the athletic account is over drawn by \$3,130. Cause: This was caused by not disposing of senior class funds at year end and allowing athletic activities to spend more than they had earned. Recommendation: We recommend that the district dispose of senior class funds when the class finishes school and not allow activity accounts to become over drawn.