

**Creston School District #9  
Flathead County, Montana**

**Audit Report**

**Fiscal Year Ended June 30, 2014**

**Creston School District #9  
Flathead County, Montana  
June 30, 2014**

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**Creston School District #9  
Flathead County, Montana**

**ORGANIZATION**

OFFICIALS AT JUNE 30, 2014

TRUSTEES

Linda Addington, Chair

Bob Erickson

Austin Hughes

Rene Johnson

Jeff Sullivan

CLERK

Nick Marshall

PRINCIPAL

Judi Hewitt

COUNTY SUPERINTENDENT OF SCHOOLS

Marcia Sheffels

COUNTY ATTORNEY

Ed Corrigan

***Nicole M. Noonan, CPA, P.C.***

*435 Little Mill Creek Road*

*St. Regis, Montana 59866*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Creston School District #9  
Creston, Montana

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Creston School District #9, Flathead County, Montana (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Creston School District #9, Flathead County, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in fiscal year 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. My opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and pages 31-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Creston School District #9, Flathead County, Montana's basic financial statements. The schedule of enrollment on page 35 and the schedule of activities for the extracurricular fund on page 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of enrollment and the schedule of activities for the extracurricular fund 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 my opinion, the schedule of enrollment and the schedule of activities for the extracurricular fund 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*, I have also issued my report dated May 14, 2015, on my consideration of Creston School District #9, Flathead County, Montana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Creston School District #9, Flathead County, Montana's internal control over financial reporting and compliance.

*Nicole M. Noonan, CPA, P.C.*

Nicole M. Noonan, CPA, P.C.  
St. Regis, Montana  
May 14, 2015

Creston School, District #9  
Management Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2014

1. Introduction

The Principal and the Clerk of Creston School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for fiscal year ended June 30, 2014. Certain comparative information between the current year and the prior year is required to be presented.

2. 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.

3. Reporting the School District as a Whole

The report includes two 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 use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- 3.1. 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 or other long-lived property; and some assets are available to fund budgets of the following year. For Creston School District, the General Fund is by far the most significant fund.
- 3.2. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.
  - 3.2.1. Governmental activities: – The school’s functions include: instruction, student services, and administration. Property taxes, state and federal revenues support the greatest part of these functions.
  - 3.2.2. Proprietary (business-type) activities: – The district does not have any proprietary funds.
  - 3.2.3. Trust & Fiduciary Responsibilities: – The district is the trustee for the student extra-curricular fund. This report includes these activities in a separate

Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purposes. The district uses internal payroll and claims clearing funds.

3.2.4. Component units: – The district does not act as a fiscal host for any Cooperative.

#### 4. Reporting the District's Most Significant Funds

The fund statements provide 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 major funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined by 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. Internal Service funds are never reported as major funds, but are combined and presented in a separate set of financial statements.

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 food service, and debt service and capital outlay funds.

These funds use the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of the school district's general governmental operations and the basic services it provides.

Fund statements include a reconciliation of the governmental fund 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.

#### 5. Net position (Statement of Net Position and MD&A Comparisons tables)

Net position may serve over time as useful indicator of an organization's financial position. In the Creston School District, assets exceeded liabilities by \$686,131 as of June 30, 2014 and by \$659,946 as of June 30, 2013. Most of the district's net position reflects its investment in capital assets (e.g. land, buildings and improvements, and equipment). The increase in capital assets resulted from the installation of air-conditioning units.

## Capital assets (Statement of Net Position)

As of June 30, 2014 the district had invested \$356,174 in capital assets (all net of debt) including land, buildings, and machinery and equipment. Total depreciation expense for the FY 2014 was \$24,716.

## 6. Governmental activities (Statement of Activities and Changes in Net Position – table 2)

The major activities of the district have not changed. These activities include instruction, transportation and implementation of federal programs such as the provision of Title services.

Total revenues for 2013 governmental activities were \$685,599 and \$726,448 in 2014, a 6% increase. Revenue sources remained broadly the same, although there was a 7% increase in property tax revenues, which generated \$237,817 in 2014 (33% of total revenues), compared to \$221,151 (32%) in 2013. Unrestricted grants and entitlements provided \$352,681 (49%) in 2014 and \$351,132 (51%) in 2013 and all other sources of revenue were broadly the same across both years.

6.1. Total expenditures on governmental activities rose by 5% from 2013 to 2014 with the main increase being generated by higher salaries in the regular Instructional category, while the pattern of expenditure remained broadly similar from one year to the next. This increase was coupled to a higher enrollment so that total program expenses per pupil fell from \$8,853 in 2012/13 (75 students) to \$7,868 in 2013/14 (89 students).

## 7. Budget-to-Actual Comparisons:

7.1. The General Fund Budget was amended for the year ended June 30, 2014 by an additional \$6,842.32 due to an unanticipated enrolment increase.

### 7.2. Revenues: (Statement of Revenue: Budget vs. Actual report)

The district's total revenues for the fiscal year ended June 30, 2013 were \$695,312 and for the fiscal year ended June 30, 2014 were \$730,084. Tax receipts were generally slightly above estimated revenue levels.

### 7.3. Expenditures: (Statement of Expenditure: Budget vs. Actual report)

General Fund: 99% of the \$519,422 appropriation was expended. The unexpended cash balance was used to build up the Reserve Fund to the maximum allowed 10% and the remaining balance of \$1483 was re-appropriated.

Transportation: of the \$37,446 appropriated, \$30,965 (83%) was expended.

Bus Depreciation Reserve: no expenditures.

Tuition: This was the first year where the Tuition Fund budget used Senate Bill 191 for special education services provided in-district. Of the \$30,795 appropriated, \$28,009 (91%) was expended.

Retirement: \$77,550 (88%) was expended of the original appropriation.

Technology: No expenditures were incurred.

Flexibility: The only expenditures were \$500.98 to improve the playground.

Building Reserve: no expenditures.

## 8. Debt Administration

The district presently has no outstanding bonds, no debt servicing and very limited debt obligations comprising \$11,407 being the long-term portion of compensated absences for the year ended June 30, 2014. Essentially the district remains asset-rich and debt-free.

## 9. The District's Future

The following will be major factors in the future of the District:

- 9.1. District enrollment of students continues to fluctuate in the 70s-80s-low 90s range. With stronger enrollment numbers in two of the lower grades the prospects are fair in the medium term, but the 3 year averaging of Average-Numbers-Belonging will not always compensate if enrollment continues in the low 70s.
- 9.2. The salary scale negotiated in the Collective Bargaining Agreement results in an automatic annual increase in salaries for certified teacher employees. Our salary schedule is fairly typical for the rural Flathead Valley, and certified staff members receive \$500 monthly towards a benefit package of their choosing.
- 9.3. As the prospect of building a new school has receded, the administration has embarked on a rehabilitation program, starting with replacement of furnaces and installation of air conditioning in order to extend the working life of all buildings and facilities. While the school campus has already been upgraded to wireless internet connection (with land-line back-up), there is an ongoing program to update computer hardware and software in all classrooms to accommodate online Smarter Balance standardized testing due to begin in Academic Year 2014/15.
- 9.4. A Facilities Assessment has been undertaken by Jackola Architecture and Engineering with grant assistance from the Montana Department of Commerce. The Board and Administration are now actively engaged in prioritizing work to be done and engaging contractors to undertake the work which will extend the useful life of the campus buildings.

10. Contact for more information:

Creston School District #9  
4495 MT 35  
Kalispell, MT 59901  
(406) 755-2859

Principal: Judi Hewitt  
District Clerk: Nick Marshall

Board of Trustees – at June 30, 2014  
Board Chairperson: Linda Addington  
Vice Chairperson: Jeff Sullivan  
Board Member: Bob Erickson  
Board Member: Rene Johnson  
Board Member: Austin Hughes

**Creston Public School, Flathead County, Montana**  
**MD & A Comparisons**  
**June 30, 2014**

<b>Table 1 - Net Position</b>	<b>Governmental Activities</b>		<b>Change</b>
	<b>FY13</b>	<b>FY14</b>	<b>Inc (Dec)</b>
Current and other assets	325,660	365,715	40,055
Capital assets	375,990	356,174	(19,816)
Total assets	701,650	721,889	20,239
Long-term liabilities outstanding	12,942	11,407	(1,535)
Deferred inflows of resources	28,762	24,351	(4,411)
Total liabilities and deferred inflows of resources	41,704	35,758	(5,946)
Net position:			
Net investment in capital assets	375,990	356,174	(19,816)
Restricted	178,847	216,368	37,521
Unrestricted (deficit)	105,109	113,589	8,480
Total net position	659,946	686,131	26,185

<b>Table 2 - Changes in Net Position</b>	<b>Governmental Activities</b>		<b>Change</b>
	<b>FY13</b>	<b>FY14</b>	<b>Inc (Dec)</b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	5,083	5,164	81
Operating grants and contributions	48,134	53,502	5,368
Capital grants and contributions	-	-	-
<i>General revenues (by major source):</i>			
Property taxes for general purposes	221,151	237,817	16,666
Grants and entitlements not restricted to specific programs	351,132	352,681	1,549
Investment earnings	3,434	2,503	(931)
Miscellaneous (other revenue)	-	223	223
County retirement	56,665	74,558	17,893
Total revenues	685,599	726,448	40,849
<b>Program expenses</b>			
Instructional - regular	353,701	369,062	15,361
Instructional - other programs	81,274	96,502	15,228
Supporting services - students	499	5,373	4,874
Supporting services - instruction & media	47,313	47,023	(290)
Administration - general	4,705	6,089	1,384
Administration - school	43,941	45,718	1,777
Administration - financial	47,254	47,366	112
Student transportation	33,710	34,104	394
Operations & maintenance	37,226	34,389	(2,837)
Extracurricular	49	-	(49)
School food	2,494	2,304	(190)
Other current charges/Unallocated dep	11,775	12,333	558
Total expenses	663,941	700,263	36,322
<b>Increase (decrease) in net position</b>	<b>21,658</b>	<b>26,185</b>	<b>4,527</b>

CRESTON ELEMENTARY  
Statement of Revenue Budget vs Actuals  
For the Accounting Period: 13 / 14

Fund	Received		Estimated Revenue	Revenue	
	Current Month	Received YTD		To Be Received	% Received
101 General	0.00	514,124.29	506,762.47	-7,361.82	101 %
110 Transportation	0.00	30,267.45	29,543.42	-724.03	102 %
111 Bus Depreciation Reserve	0.00	18,284.67	17,926.11	-358.56	102 %
112 Food Services	0.00	2,042.53	2,500.00	457.47	82 %
113 Tuition	0.00	29,687.09	30,650.98	963.89	97 %
114 Retirement	0.00	74,667.43	75,113.98	446.55	99 %
115 Miscellaneous Programs	0.00	35,951.99	30,615.00	-5,336.99	117 %
121 Compensated Absence	0.00	5,822.92	0.00	-5,822.92	** %
128 Technology	0.00	1,062.49	1,052.14	-10.35	101 %
129 Flexibility	0.00	6,115.66	5,953.86	-161.80	103 %
150 Debt Service	0.00	0.28	0.00	-0.28	** %
160 Building	0.00	1,284.93	0.00	-1,284.93	** %
161 Building Reserve	0.00	10,273.46	10,000.00	-273.46	103 %
184 Extracurricular	0.00	498.37	0.00	-498.37	** %
<b>Grand Total:</b>	<b>0.00</b>	<b>730,083.56</b>	<b>710,117.96</b>	<b>-19,965.60</b>	<b>103 %</b>

<b>Fund</b>	<b>Committed Current Month</b>	<b>Committed YTD</b>	<b>Original Appropriation</b>	<b>Current Appropriation</b>	<b>Available Appropriation</b>	<b>% Committed</b>
101 General	0.00	514,374.39	518,079.57	524,921.89	10,547.50	98 %
110 Transportation	0.00	30,964.85	37,445.70	37,445.70	6,480.85	83 %
111 Bus Depreciation Reserve	0.00	0.00	72,510.48	72,510.48	72,510.48	0 %
112 Food Services	0.00	1,890.60	2,500.00	2,500.00	609.40	76 %
113 Tuition	0.00	28,009.31	30,794.79	30,794.79	2,785.48	91 %
114 Retirement	0.00	77,549.64	88,404.30	88,404.30	10,854.66	88 %
115 Miscellaneous Programs	0.00	39,327.25	114,605.00	114,605.00	75,277.75	34 %
121 Compensated Absence	0.00	6,932.78	10,106.96	10,106.96	3,174.18	69 %
128 Technology	0.00	0.00	2,088.85	2,088.85	2,088.85	0 %
129 Flexibility	0.00	500.98	33,836.72	33,836.72	33,335.74	1 %
161 Building Reserve	0.00	0.00	51,081.55	51,081.55	51,081.55	0 %
184 Extracurricular	0.00	255.05	2,000.00	2,000.00	1,744.95	13 %
<b>Grand Total:</b>	<b>0.00</b>	<b>699,804.85</b>	<b>963,453.92</b>	<b>970,296.24</b>	<b>270,491.39</b>	<b>72 %</b>

***BASIC***

***FINANCIAL***

***STATEMENTS***

**Creston School District #9, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 354,101
Taxes Receivable	8,061
Due from Other Governments	3,553
Nondepreciable Capital Assets	
Land	132,400
Depreciable Capital Assets	
Buildings	400,359
Equipment	108,732
Less: Accumulated Depreciation	(285,317)
Depreciable Capital Assets - Net	<u>223,774</u>
Total Assets	<u>721,889</u>
 <b>LIABILITIES</b>	
Compensated Absences	<u>11,407</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Grant Revenue	<u>24,351</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	356,174
Restricted	216,368
Unrestricted	<u>113,589</u>
Total Net Position	<u>\$ 686,131</u>

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Program Activities</u>					
Governmental Activities:					
Instructional - Regular Programs	\$ 369,062	\$ -	\$ 4,594	\$ -	\$ (364,468)
Instructional - Other Programs	96,502	-	31,024	-	(65,478)
Supporting Services - Students	5,373	-	-	-	(5,373)
Supporting Services - Instruction & Media	47,023	-	747	-	(46,276)
Administration - General	6,089	-	-	-	(6,089)
Administration - School	45,718	-	3,601	-	(42,117)
Administration - Business	47,366	-	-	-	(47,366)
Student Transportation	34,104	1,872	13,536	-	(18,696)
Operation & Maintenance	34,389	1,250	-	-	(33,139)
School Food	2,304	2,042	-	-	(262)
Unallocated Charges:					
Depreciation (excludes direct expense)	12,333	-	-	-	(12,333)
<b>Total Government</b>	<b>\$ 700,263</b>	<b>\$ 5,164</b>	<b>\$ 53,502</b>	<b>\$ -</b>	<b>(641,597)</b>
General Revenues:					
Property Taxes					237,817
Investment Earnings					2,503
State Assistance					352,681
County Retirement					74,558
Other General Revenues					223
Total General Revenues					667,782
Change in Net Position					26,185
Net Position, Beginning of Year					659,946
Net Position, End of Year					<u>\$ 686,131</u>

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	MAJOR FUNDS						Total Governmental Funds
	General Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Programs Fund	Building Reserve Fund	Other Governmental Funds	
<b>ASSETS</b>							
Cash and Investments	\$ 70,765	\$ 72,869	\$ 27,962	\$ 69,371	\$ 51,355	\$ 61,779	\$ 354,101
Taxes Receivable	5,658	601	-	-	339	1,463	8,061
Due from Other Governments	-	-	-	3,553	-	-	3,553
Total Assets	<u>\$ 76,423</u>	<u>\$ 73,470</u>	<u>\$ 27,962</u>	<u>\$ 72,924</u>	<u>\$ 51,694</u>	<u>\$ 63,242</u>	<u>\$ 365,715</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>Deferred Inflows of Resources:</b>							
Deferred Tax Revenues	\$ 5,658	\$ 601	\$ -	\$ -	\$ 339	\$ 1,463	\$ 8,061
Deferred Grant Revenues	-	-	-	24,351	-	-	24,351
Total Deferred Inflows of Resources	<u>5,658</u>	<u>601</u>	<u>-</u>	<u>24,351</u>	<u>339</u>	<u>1,463</u>	<u>32,412</u>
<b>Fund Balances:</b>							
Restricted	-	72,869	27,962	-	51,355	61,779	213,965
Assigned	13,940	-	-	48,573	-	-	62,513
Unassigned	56,825	-	-	-	-	-	56,825
Total Fund Balances	<u>70,765</u>	<u>72,869</u>	<u>27,962</u>	<u>48,573</u>	<u>51,355</u>	<u>61,779</u>	<u>333,303</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 76,423</u>	<u>\$ 73,470</u>	<u>\$ 27,962</u>	<u>\$ 72,924</u>	<u>\$ 51,694</u>	<u>\$ 63,242</u>	<u>\$ 365,715</u>

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balance for governmental funds	\$ 333,303
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	356,174
Taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the funds.	8,061
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,407)</u>
Net position of governmental activities	<u>\$ 686,131</u>

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	MAJOR FUNDS						Total Governmental Funds
	General Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Programs Fund	Building Reserve Fund	Other Governmental Funds	
<b>REVENUES</b>							
District Levies	\$ 166,914	\$ 17,900	\$ -	\$ -	\$ 10,002	\$ 43,980	\$ 238,796
Local Revenue	-	-	-	223	-	5,164	5,387
County Revenue	-	-	74,558	-	-	6,768	81,326
State Revenue	346,234	-	-	3,542	-	17,809	367,585
Federal Revenue	-	-	-	31,830	-	-	31,830
Interest Earnings	976	385	109	357	271	405	2,503
Total Revenue	<u>514,124</u>	<u>18,285</u>	<u>74,667</u>	<u>35,952</u>	<u>10,273</u>	<u>74,126</u>	<u>727,427</u>
<b>EXPENDITURES</b>							
Current Operations:							
Instructional - Regular Programs	306,870	-	54,486	3,542	-	5,051	369,949
Instructional - Other Programs	27,980	-	7,339	31,023	-	30,392	96,734
Supporting Services - Students	5,499	-	-	-	-	-	5,499
Supporting Services - Instruction and Media	41,113	-	5,163	747	-	-	47,023
Administration - General	6,104	-	-	-	-	-	6,104
Administration - School	36,982	-	5,244	3,602	-	-	45,828
Administration - Business	32,196	-	3,417	-	-	11,867	47,480
Student Transportation	1,586	-	938	-	-	19,255	21,779
Operation & Maintenance	33,419	-	963	-	-	-	34,382
School Food	-	-	-	413	-	1,891	2,304
Capital Outlay	4,900	-	-	-	-	-	4,900
Total Expenditures	<u>496,649</u>	<u>-</u>	<u>77,550</u>	<u>39,327</u>	<u>-</u>	<u>68,456</u>	<u>681,982</u>
Excess (Deficiency) of Revenues Over Expenditures before Transfers	17,475	18,285	(2,883)	(3,375)	10,273	5,670	45,445
Transfers Out	(5,807)	-	-	-	-	-	(5,807)
Transfers In	-	-	-	-	-	5,807	5,807
Excess (Deficiency) of Revenues Over Expenditures	11,668	18,285	(2,883)	(3,375)	10,273	11,477	45,445
Fund Balance, Beginning of Year	59,097	54,584	30,845	51,948	41,082	50,302	287,858
Fund Balance, End of Year	<u>\$ 70,765</u>	<u>\$ 72,869</u>	<u>\$ 27,962</u>	<u>\$ 48,573</u>	<u>\$ 51,355</u>	<u>\$ 61,779</u>	<u>\$ 333,303</u>

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net change in fund balance-total governmental funds (page 16)	\$ 45,445
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	4,900
Depreciation expense	(24,716)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in taxes receivable (deferred revenue)	(979)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	1,535
Change in net position in governmental activities (page 14)	\$ 26,185

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Student Extracurricular</u>
ASSETS	
Cash and Investments	<u>\$          2,479</u>
NET POSITION	<u><u>\$          2,479</u></u>

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	Student Extracurricular
<b>ADDITIONS</b>	
Interest	\$ 11
Revenues from Local Sources	487
	498
 <b>DEDUCTIONS</b>	
Disbursements for Activities	255
	243
Change in Net Position	243
Net Position, Beginning of Year	2,236
	2,236
Net Position, End of Year	\$ 2,479
	2,479

See accompanying notes to the financial statements

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies**

The District follows U.S. generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as assets or liabilities. For the District, the statement required the reclassification of deferred revenues from a liability to a deferred inflow of resources on the governmental funds balance sheet and on the government-wide statement of net position.

In fiscal year 2015, the District will adopt the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments, establishing standards for measuring and recognizing net pension liabilities, deferred inflows and outflows of resources, and expenses/expenditures. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The statement is effective for fiscal years beginning after June 15, 2014. The effect of adoption of this statement cannot be determined at this time.

The following is a summary of the District's significant accounting policies:

**Reporting Entity**

Creston School District #9 is located near Creston. The District provides educational services for grades kindergarten through sixth grade. The District is managed by a five-member Board of Trustees, which is elected from within the boundaries of the District. The Trustees appoint an administrator responsible to the Board. The District is a primary government and these financial statements include all of the funds and accounts of the District. There are no component units of the District.

Flathead County bills and collects the taxes levied by the District. The Flathead County Treasurer also maintains the District's cash accounts. However, the District is not considered a component unit of the County, since the County does not significantly influence the operations of the District. The District is a separate and independent unit of local government.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies (continued)**

Basis of Presentation

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the District as a whole. They include all funds of the District, except for fiduciary funds. Certain eliminations have been made in regards to inter-fund activities, payables and receivables. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, other nonexchange revenues, and program revenues. The District's program revenues consist of charges for services, mainly milk sales, and grants related to specific program operations. The District utilizes restricted net position first, when both restricted and unrestricted resources are available. The District does not have any business-type activities.

*Fund Financial Statements:*

Fund financial statements are organized by fund, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. The District's funds are organized into two categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures of that individual fund are at least 10 percent of the corresponding total for all the funds of that category.

Governmental Funds

The major funds of the District are described below:

*General Fund* – The primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Bus Depreciation Fund* – This fund is used to accumulate reserves for the replacement of buses and two-way radio equipment. These reserves are funded with a District mill levy.

*Retirement Fund* – This fund is used for the District's contribution to the Teachers' Retirement System, Unemployment, and Social Security. These contributions are funded by a countywide levy.

*Miscellaneous Programs Fund* – This fund is used to account for local, state, and federal grants and reimbursements. Donations that support district programs are also accounted for in this fund.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies (continued)**

*Building Reserve Fund* – This fund is used to account for financing voter approved building and construction projects funded with a District mill levy.

Fiduciary Funds

*Trust and Agency Funds* - Used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These may include (a) pension trust funds, (b) investment trust funds, (c) private-purpose trust funds and (d) agency funds. The District uses a private-purpose trust fund to account for student extracurricular activities.

Measurement Focus

The government-wide statement of net position and statement of activities and the fiduciary trust fund statements are presented using the economic resources measurement focus as defined below. The governmental fund financial statements are presented using the current financial resources measurement focus.

- a) All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The accounting objectives of the economic resources measurement focus is the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

The government-wide statement of net position and statement of activities, and the fiduciary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies (continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

**Budget**

A budget is adopted by the Board of Trustees each fiscal year for the funds classified by State law as budgeted funds. The budget is formulated in accordance with State law. The General Fund budget limitations are calculated by the State and are designed to equalize taxing effort throughout the State, basing the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Fund expenditures are limited by State law to budgeted amounts, except that they can be increased for unforeseen needs as defined by State law.

Transfers may be made between expenditure objects and/or functions within the same fund. The budgeted amounts as shown in the financial statements are as originally adopted and as revised by legal budget amendments, if applicable.

The District’s budgetary basis of accounting differs from generally accepted accounting principles (GAAP) due to recording encumbrances as expenditures under the budgetary basis. Encumbrances are commitments related to unperformed, legally binding contracts for the purchase of goods or construction in progress. Encumbrances at year end are used to set aside spending authority for obligations in budgeted funds. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual reflects expenditures on the budgetary basis, and includes only budgeted funds.

*Budgeted Funds* - under State statutes, the General, Transportation, Bus Depreciation, Tuition, Retirement, Technology, Flexibility, Debt Service, and Building Reserve funds are considered budgeted funds, which means a budget must be adopted in order to disburse money from these funds. The statutes define other funds as non-budgeted funds. The Extracurricular Fund is treated as a non-budgeted fund. A budget is not required to disburse money from non-budgeted funds, although spending is limited to the available cash balance in the fund.

**Cash and Investments**

All District cash is held by the Flathead County Treasurer. It is invested using a surplus cash method with other County funds. Interest is distributed on the basis of average cash balance for the period. Cash and investments are reported at cost, which approximates fair value.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies (continued)**

Taxes Receivable

Amounts to be collected by the County Treasurer for real and personal property taxes levied, are reported as taxes receivable. Since these amounts are not measurable and available at year end, revenue is reported as a deferred inflow of resources under the modified accrual basis of accounting in the fund financial statements.

Due From Other Governments

Amounts due the District from other districts or for the balance of federal grants and state equalization payments are recorded as Due From Other Governments.

Capital Assets

*Government-wide Financial Statements*

In the government-wide financial statements, capital assets with a cost of \$5,000 or more, are recorded and depreciated. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Equipment	5-10 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the fund upon acquisition.

Due To Other Governments

Amounts due the State for unexpended balances of completed grants, if any, are reported as Due To Other Governments.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

1. **Summary of Significant Accounting Policies** (continued)

Compensated Absences

Liabilities incurred for unused vacation and sick leave accumulated by employees are recorded in the government-wide Statement of Net Position as compensated absences payable. The liability is determined as the number of hours of leave accumulated that would be paid upon termination, multiplied by the employee's current rate of pay plus any applicable taxes and benefits.

Equity Classifications

*Government-wide Financial Statements*

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

*Fund Financial Statements*

Governmental fund equity is classified as fund balance in the following categories:

- a) Nonspendable – resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as the principal portion of permanent funds.
- b) Restricted – constraint is externally imposed by a third party, State Constitution, or enabling legislation.
- c) Committed – constraint is internally imposed by the Board of Trustees by formal action.
- d) Assigned – constraint is internally expressed by District Clerk or Board of Trustees.
- e) Unassigned – negative fund balance in any fund, or fund balance with no constraints in the General fund.

The District has not adopted a formal spending policy, but generally utilizes funds in the following order: restricted, committed, assigned, unassigned.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

2. **Cash and Investments**

Cash and investments are held by the Flathead County Treasurer. The District is authorized by State law to invest in direct obligations of the United States government; savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in the state; repurchase agreements; and the state unified investment program.

By written agreement, the Flathead County Treasurer invests the funds of the District. District funds are combined with those of other entities by the Treasurer for investment. Interest is credited to each fund on the basis of average monthly cash balances. The District does not have a formal investment policy, but limits its exposure to credit risk (the risk that an issuer or other counter party to an investment will not fulfill its obligation) by following state law and participating in the County's investment pool. It was not possible to determine the credit risk associated with the District's cash and investments because of the method used by the County Treasurer to account for these monies (i.e. pooling of cash and investments of common accounts not specifically designated as belonging to the District). Additional information regarding the County's investment pool can be obtained from the County's annual financial report. The County's investment pool is not rated.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned or the District will not be able to recover the collateral securities in the possession of the outside party. The District's custodial credit risk is minimized by restrictions set forth in state law, which require that the District deposit all funds with the County Treasurer. The County is required by state law to have financial institutions pledge collateral equal to at least 50% of the total County demand and savings deposits held by that financial institution that are not insured.

3. **Property Taxes**

Real property taxes are levied against the property owners as of January 1. The taxes are due in two payments; November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. After three years of delinquency, the County may proceed to take tax title to the property. The valuation of real property is the responsibility of the State of Montana and is done by statutory methods.

Personal property is assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under State law and submitted to the County Treasurer in May/June with all but mobile homes due in June/July. Mobile home taxes are due in two payments, one in June/July and the second due September 30. Delinquent taxes may be collected for up to 10 years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to collect unpaid taxes. Unpaid taxes at the end of 10 years may be written off by the County Commissioners. The District receives its information on taxable values and taxes receivable from the County Treasurer.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

4. **Capital Assets**

Capital assets are presented in the government-wide Statement of Net Position. The following is a summary of changes for the year:

	Beginning Balance	Additions	Ending Balance
Nondepreciable Capital Assets:			
Land	\$ 132,400	\$ -	\$ 132,400
Depreciable Capital Assets:			
Buildings	\$ 395,459	\$ 4,900	\$ 400,359
Equipment	108,732	-	108,732
Less: Accumulated Depreciation	(260,601)	(24,716)	(285,317)
Total Depreciable Capital Assets, Net	\$ 243,590	\$ (19,816)	\$ 223,774

Capital asset depreciation expense was charged to functions as follows:

Student Transportation	\$ 12,376
Operations and Maintenance	7
Unallocated	12,333
Total Depreciation Expense	\$ 24,716

5. **Compensated Absences**

Compensated absences are presented in the government-wide Statement of Net Position. In previous years, the General and Compensated Absences funds have been used to liquidate this liability. The following is a summary of changes for the year:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 12,942	\$ (1,535)	\$ 11,407	\$ -

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

6. **Retirement Plan**

The District participates in a state-wide, cost-sharing multiple employer defined benefit retirement plan. The Teachers' Retirement System (TRS) covers certified teaching employees, including principals and superintendents, instructional aides and substitute teachers. The plan is established under State law and is administered by the State of Montana Department of Administration. The plan provides retirement, disability and death benefits to plan members and their beneficiaries as defined by State law.

The plan issues publicly available annual reports that include financial statements and required supplemental information. The TRS plan reports may be obtained from Teachers' Retirement System, P.O. Box 200139, Helena, MT 59620-0139.

Contribution rates for the plan are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
TRS	8.47%	8.15%	2.49%	19.11%

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 25,620	\$ 26,076	\$ 31,596

7. **Fund Balance/Restricted Net Position**

*Fund Balance*

The District has categorized fund balance at June 30, 2014 as follows:

	<u>Balance</u>	<u>Description</u>
<i>General Fund</i>		
Assigned	\$ 977	Encumbered for regular instructional programs
Assigned	1,988	Encumbered for operations and maintenance
Assigned	10,975	Encumbered for capital outlay
Unassigned	56,825	Remainder of fund balance
<i>Bus Depreciation Fund</i>		
Restricted	72,869	Restricted to bus replacement by state law
<i>Retirement Fund</i>		
Restricted	27,962	Restricted to employee benefits by state law
<i>Miscellaneous Programs Fund</i>		
Assigned	48,573	Assigned to special projects
<i>Building Reserve Fund</i>		
Restricted	51,355	Restricted to building projects by state law
<i>Other Governmental Funds</i>		
Restricted	61,779	Restricted to fund purpose by state law
Total	\$ 333,303	

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

7. **Fund Balance/Restricted Net Position** (continued)

The District maintains reserves in certain budgeted funds, in accordance with state statutes. The reserves are limited to a certain percentage of the next years budgeted expenditures. These percentages and actual reserves for the fiscal year 2015 budget follow:

Reserved for FY15 Budget	Amount	Actual Percentage	Allowed Percentage
General Fund	\$ 55,342	10%	10%
Transportation Fund	7,781	20%	20%
Retirement Fund	15,669	20%	20%

*Restricted Net Position*

Restricted net position for the government-wide financial statements is restricted fund balance of \$213,965 plus deferred inflows of resources, which are not deferred in the government-wide financial statements, of \$2,403. Restricted net position was \$216,368 at June 30, 2014.

8. **Commitments**

The District uses encumbrances to commit budgeted funds based on approved purchase orders or construction contracts. At June 30, 2014, the District had encumbrances of \$13,940 in the General fund.

9. **Risk Management**

The District faces a considerable number of risks of loss, (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) environmental damage, and (e) workers' compensation, i.e. employee injuries. A variety of 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 general liability, property and contents damage, and professional liabilities. The District participates in two state-wide public risk pools, the Montana Schools Group Workers' Compensation Risk Retention Program for workers' compensation and the Montana Schools Unemployment Program for unemployment insurance. All school district participants are jointly and severally liable for the liabilities of these public risk pools. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages. Coverage limits and deductibles on the commercial policies have stayed relatively constant. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in past three fiscal years.

The District provides a \$500 per month benefit to all certified teachers and a \$300 per month benefit to the District Clerk. This amount can be used in the District's cafeteria plan to purchase health insurance, retirement annuity, dependent care or may be taken as a cash option.

**Creston School District #9, Flathead County, Montana**  
**Notes to the Financial Statements**  
**June 30, 2014**

10. **Joint Ventures**

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

The District is a member of the Flathead Special Education Cooperative. Each member of the cooperative contributes to the operating costs of the cooperative based on an annual fiscal budget adopted by the cooperative. Annually, each member district appoints a representative to the Joint Advisory Board. From this board, a five member Executive Council is elected to administer the cooperative. The County Superintendent of Schools is the prime fiscal agent. The District paid \$1,290 to the Cooperative during the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

The District is also a member of the Northwest Education Cooperative. The purpose of the cooperative is to oversee and coordinate curriculum development and implementation in the member districts. The member districts contribute fees to the cooperative based on enrollment at the district. The management board of the cooperative consists of a representative from each member district. A nine member executive council is made up of representatives from member districts based on location and school size. The District's contribution to the cooperative was \$2,652 for fiscal year 2014. Separate financial statements are available from the Northwest Educational Cooperative.

11. **Other Post Employment Benefits**

Retirees may remain on the District's health plan, provided they pay the monthly premiums. State law requires the District to provide this benefit until age 65. The District pays an implicit rate subsidy since generally there are higher medical costs for retirees, which results in higher premium rates for all members of the plan. The cost of providing this benefit is considered immaterial to the District's financial statements. There was one retired employee participating in the plan at June 30, 2014. The District is terminating the plan on June 30, 2015.

12. **Interfund Transfers**

During fiscal year 2014, the District transferred \$5,807 from the General fund to the Compensated Absences fund to accumulate resources for the payment of sick leave for classified employees who terminate employment.

***REQUIRED***

***SUPPLEMENTARY***

***INFORMATION***

**Creston School District #9, Flathead County, Montana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
District Levies	\$ 166,909	\$ 166,909	\$ 166,914	\$ 5
State Revenue	339,392	346,234	346,234	-
Interest Earnings	462	462	976	514
Total Revenues	<u>506,763</u>	<u>513,605</u>	<u>514,124</u>	<u>519</u>
<b>EXPENDITURES</b>				
Current:				
Instructional - Regular Programs	305,257	313,924	307,847	6,077
Instructional - Other Programs	41,695	39,695	27,980	11,715
Supporting Services - Students	650	650	5,499	(4,849)
Supporting Services - Instruction and Media	42,364	43,614	39,091	4,523
Administration - General	9,912	2,660	6,104	(3,444)
Administration - School	38,137	38,337	36,982	1,355
Administration - Business	37,314	42,241	32,196	10,045
Student transportation	-	1,500	1,586	(86)
Extracurricular	600	-	-	-
Operation & Maintenance	36,650	36,800	35,407	1,393
Capital Outlay	-	-	15,875	(15,875)
Transfers Out	-	-	5,807	(5,807)
Total Expenditures and Encumbrances	<u>512,579</u>	<u>519,421</u>	<u>514,374</u>	<u>5,047</u>
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	<u>\$ (5,816)</u>	<u>\$ (5,816)</u>	(250)	<u>\$ 5,566</u>
Change in Encumbrances			<u>11,918</u>	
Excess (Deficiency) of Revenues Over Expenditures			11,668	
Fund Balance, Beginning of Year			<u>59,097</u>	
Fund Balance, End of Year			<u>\$ 70,765</u>	

See accompanying notes

**Creston School District #9, Flathead County, Montana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-**  
**Budget and Actual**  
**Bus Depreciaton**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
District Levies	\$ 17,926	\$ 17,926	\$ 17,900	\$ (26)
Interest Earnings	-	-	385	385
Total Revenues	<u>17,926</u>	<u>17,926</u>	<u>18,285</u>	<u>359</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>72,510</u>	<u>72,510</u>	-	<u>72,510</u>
Total Expenditures	<u>72,510</u>	<u>72,510</u>	-	<u>72,510</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (54,584)</u>	<u>\$ (54,584)</u>	18,285	<u>\$ 72,869</u>
Fund Balance, Beginning of Year			<u>54,584</u>	
Fund Balance, End of Year			<u>\$ 72,869</u>	

See accompanying notes

**Creston School District #9, Flathead County, Montana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-**  
**Budget and Actual**  
**Retirement Fund**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
County Revenue	\$ 75,114	\$ 75,114	\$ 74,558	\$ (556)
Interest Earnings	-	-	109	109
Total Revenues	75,114	75,114	74,667	(447)
<b>EXPENDITURES</b>				
Current:				
Instructional - Regular Programs	88,404	88,404	54,486	33,918
Instructional - Other Programs	-	-	7,339	(7,339)
Supporting Services - Instruction and Media	-	-	5,163	(5,163)
Administration - School	-	-	5,244	(5,244)
Administration - Business	-	-	3,417	(3,417)
Student Transportation	-	-	938	(938)
Operation & Maintenance	-	-	963	(963)
Total Expenditures and Encumbrances	88,404	88,404	77,550	10,854
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	\$ (13,290)	\$ (13,290)	(2,883)	\$ 10,407
Fund Balance, Beginning of Year			30,845	
Fund Balance, End of Year			\$ 27,962	

See accompanying notes

**Creston School District #9, Flathead County, Montana**  
**Notes to the Schedules of Revenues, Expenditures and Changes**  
**in Fund Balance – Budget and Actual**  
**June 30, 2014**

1. **Basis of Presentation**

The accompanying Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual are presented on the budget basis of accounting. The District's budgetary basis of accounting differs from generally accepted accounting principles (GAAP) due to recording encumbrances as expenditures under the budgetary basis. Encumbrances are commitments related to unperformed, legally binding contracts for the purchase of goods or construction in progress. Encumbrances at year end are used to set aside spending authority for obligations in budgeted funds. The change in encumbrances is reported on the schedule to reconcile the budget basis to the GAAP basis of accounting.

2. **Non-Budgeted Major Fund**

The Miscellaneous Programs fund is a major special revenue fund that does not require a budget. Therefore, a Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is not presented for this fund.

***SUPPLEMENTARY***

***INFORMATION***

**Creston School District #9, Flathead County, Montana**  
**Schedule of Enrollment**  
**For the Year Ended June 30, 2014**

	<u>District Records</u>	<u>Enrollment Report</u>
<u>Fall Enrollment (10/13)</u>		
Grades K (Full) - 6	89	89
<u>Winter Enrollment (12/13)</u>		
Grades K (Full) - 6	88	88
<u>Spring Enrollment (2/14)</u>		
Grades K (Full) - 6	89	89

**Creston School District #9, Flathead County, Montana**  
**Schedule of Activities by Account**  
**Extracurricular Fund**  
**For the Year Ended June 30, 2014**

<u>ACCOUNTS</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Balance</u>
School Annual Trip	<u>\$ 2,236</u>	<u>\$ 498</u>	<u>\$ (255)</u>	<u>\$ 2,479</u>

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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Creston School District #9  
Creston, Montana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Creston School District #9, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Creston School District #9, Flathead County, Montana's basic financial statements and have issued my report thereon dated May 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Creston School District #9, Flathead County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Creston School District #9, Flathead County, Montana's internal control. Accordingly, I do not express an opinion on the effectiveness of Creston School District #9, Flathead County, Montana'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 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any

deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2014-001 that I consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Creston School District #9, Flathead County, Montana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Creston School District #9, Flathead County, Montana's Response to Findings**

Creston School District #9, Flathead County, Montana's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Creston School District #9, Flathead County, Montana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the 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.



Nicole M. Noonan, CPA, P.C.  
St. Regis, Montana  
May 14, 2015

**Creston School District #9, Flathead County, Montana**  
**Schedule of Findings and Responses**  
**June 30, 2014**

**2014-001 Generally Accepted Accounting Principles**

The District does not prepare the financial statements and disclosures in accordance with generally accepted auditing standards (GAAP) for the audit. The auditor assists in drafting these documents from the trial balance and management reviews, approves, and accepts responsibility for them. Although management is knowledgeable in the affairs of the District, management does not have adequate knowledge of GAAP to prepare financial statements and disclosures that meet these requirements without assistance. If the District did not receive assistance in the completion of these financial statements and disclosures the financial statements could be misstated if new or unusual transactions occurred or new pronouncements were issued that affect the District.

*District Response*

Concur – the Board of Trustees is aware of this assistance.

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Creston School District #9  
Creston, Montana

The prior audit report contained two recommendations. The action taken on these recommendations is as follows:

<u>Number</u>	<u>Recommendation</u>	<u>Action Taken</u>
2013-1	Generally Accepted Accounting Principles	Repeated
2013-2	Deferred Revenue	Implemented

*Nicole M. Noonan, CPA, P.C.*

Nicole M. Noonan, CPA, P.C.  
St. Regis, Montana  
May 14, 2015

***Nicole M. Noonan, CPA, P.C.***

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May 14, 2015

Board of Trustees  
Creston School District #9  
Creston, Montana

In planning and performing my audit of the financial statements of Creston School District #9 for the year ended June 30, 2014, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control. This letter does not affect my report on those financial statements dated May 14, 2015.

However, I noted certain matters involving internal control and its operation that I consider opportunities for improvement. These and other matters are summarized below.

**Taxes Receivable**

Taxes receivable and deferred revenue recorded by the District should agree to the amounts recorded by the County Treasurer. During testing, it was noted that taxes receivable and deferred revenue were both overstated in the General, Transportation, Tuition, and Building Reserve funds by \$7,006, \$676, \$732, and \$411, respectively. This was due to the prior year balance not being removed before recording the fiscal year 2014 ending balances. In the future, the balance after adjustment should be agreed to supporting documentation to ensure the ending balance is accurate.

*District Response*

*Agreed – a reversing JV was created but was not posted for these funds.*

**Due from Other Governments/Deferred Revenues**

Due from other governments should be classified as an asset at fiscal year end. At June 30, 2014 a due from other governments of \$3,553 in the Miscellaneous Fund was recorded as a negative deferred revenue. This resulted in due from other governments and deferred revenues being understated at fiscal year end. This was due to the wrong account being used in the closing journal voucher. In the future, ending balances should be compared to supporting documentation to ensure the ending classifications are accurate.

*District Response*

*Agreed – will use account 180 not 680 to record due from other governments.*

## Credit Cards

All charges on District credit cards should be supported by detailed receipts. During testing of two months of credit card purchases, it was noted that three charges did not have supporting receipts. There was also one instance where an invoice from a different transaction was attached as support. This was due to the difficulty of collecting receipts from card users after purchases are made. In the future, supporting receipts should be obtained to support charges made by employees.

### District Response

*All users have been requested to provide documentation whenever the credit card is used.*

Findings from the June 30, 2013 management letter are shown below with their status as of June 30, 2014.

<u>Finding</u>	<u>Status</u>
Taxes Receivable	Repeated
Trustees Financial Summary Information	Implemented
Debt Service Fund	Implemented

\* \* \* \* \*

This letter is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the State of Montana and is not intended to be and should not be used by anyone other than these specified parties.

*Nicole M. Noonan, CPA, P.C.*

Nicole M. Noonan, CPA, P.C.