

**TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA**

FINANCIAL STATEMENTS

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

(with Independent Auditor's Reports Thereon)

TERRY JAMES BURKE
Certified Public Accountant

**TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA**

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TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA

Organization
June 30, 2014

Board of Trustees

Kris Crawford..... Chairperson
Bob Carter Vice-Chairperson
Dave Cook Trustee
Jerry Armstrong..... Trustee
Cathy Mikesell..... Trustee

Officers/Clerks

Dr. Corey Austin..... Superintendent
Tammy Tulberg Business Manager/District Clerk
Erin Lipkind County Superintendent
Fred Van Valkenburg County Attorney

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Target Range School District No. 23
Missoula County
Missoula, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Target Range School District No. 23, Missoula County, Missoula, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 our audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Target Range School District No. 23, Missoula County, Missoula, Montana, as of June 30, 2014, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparisons for the General and Transportation Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 7 and Schedule of Funding Progress – OPEB on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during our 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 us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the School's basic financial statements. The schedule of school district enrollment on page 28 and the schedule of the student activity on page 29 are supplementary information required by the State of Montana. These schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards.

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

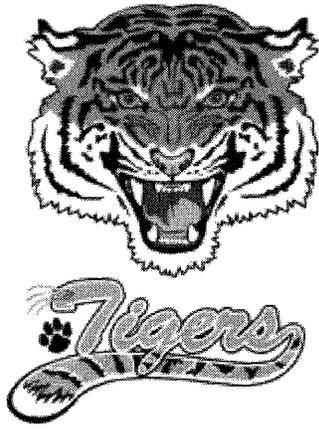
The other supplemental information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2014, on my consideration of School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Target Range School District No. 23's control over financial reporting and compliance.



December 18, 2014



Target Range School District #23
4095 South Avenue West
Missoula, MT 59804
Phone: 406-549-9239
Fax: 406-728-8841

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

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

Financial Highlights

The District's financial position has been relatively stable district-wide. A large part of the financial stability in the District can be tied to the fiscal responsibility, dedication and sacrifices of the District staff. Our continuing philosophy is that successful management of the District resources requires a unified front involving students and staff, administration and trustees, and the community. The Target Range community continues to strongly support the District with an active parent group and volunteers who donate time and talent.

Using this Financial Report

The general format of this report is required by Statement No.34 of the Governmental Accounting Standards Board (GASB). This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities (pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

Fund financial statements (pages 10 and 11) present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds be disclosed individually in these financial statements. These statements provide detailed information about the District's general, transportation, retirement, and miscellaneous funds, which qualify as major funds. 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 based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Also attached are summarized financial reports about the student activity fund, which the District oversees. The budgetary comparison statement on page 13 shows how actual expenditures compared to the original and final budgeted expenditures for the General and Transportation Funds.

The District as A Whole

One important question asked by the District's finances is. "Is the District better or worse off as a result of the year's activities?"

The information in the government-wide financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the District's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc.

District Net Position

Changes in the School's Net Position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 1,085,061	\$ 1,122,683	\$ (37,622)	-3%
Capital Assets - Net	<u>2,280,870</u>	<u>1,932,667</u>	<u>348,203</u>	<u>18%</u>
Total Assets	<u>3,365,931</u>	<u>3,055,350</u>	<u>310,581</u>	<u>10%</u>
Current Liabilities	(236,357)	(251,958)	15,601	-6%
Non-current Liabilities	<u>(731,204)</u>	<u>(300,822)</u>	<u>(430,382)</u>	<u>143%</u>
Total Liabilities	<u>(967,561)</u>	<u>(552,780)</u>	<u>(414,781)</u>	<u>75%</u>
Net Position	<u>\$ 2,398,370</u>	<u>\$ 2,502,570</u>	<u>\$ (104,200)</u>	<u>-4%</u>
Net Position				
Invested in Capital Assets	1,565,089	1,781,296	(216,207)	-12%
Restricted Net Assets	693,738	440,723	253,015	57%
Unrestricted Net Assets	<u>139,543</u>	<u>280,551</u>	<u>(141,008)</u>	<u>-50%</u>
Total Net Position	<u>\$ 2,398,370</u>	<u>\$ 2,502,570</u>	<u>\$ (104,200)</u>	<u>-4%</u>

The changes in Net Position relates primarily to loan proceeds that were used to fund capital assets purchased for the security, phone and HVAC systems within the building.

Changes in program and general revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Program Revenues:				
Federal Grants	\$ 364,612	\$ 324,535	\$ 40,077	12%
State Program Funding	234,034	200,961	33,073	16%
County Program Funding	19,200	17,654	1,546	9%
Charges for Services	<u>74,620</u>	<u>66,706</u>	<u>7,914</u>	<u>12%</u>
Total Program Revenue	<u>692,466</u>	<u>609,856</u>	<u>82,610</u>	<u>14%</u>
General Revenues:				
Property Taxes	1,249,042	1,203,028	46,014	4%
State Equalization	1,327,890	1,240,295	87,595	7%
Other State Revenue	1,144,396	1,115,481	28,915	3%
County Revenue	464,337	189,680	274,657	145%
Investment Earnings	2,855	2,780	75	3%
Other	<u>20,004</u>	<u>6,036</u>	<u>13,968</u>	<u>231%</u>
Total General Revenues	<u>4,208,524</u>	<u>3,757,300</u>	<u>451,224</u>	<u>12%</u>
Total Revenues	<u>\$ 4,900,990</u>	<u>\$ 4,367,156</u>	<u>\$ 533,834</u>	<u>12%</u>

Program revenues increased primarily to the Title I program and a grant received from Quality Schools.

General revenues changes relate primarily to receiving protested tax funds from Northwestern Energy.

Changes in the School's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Expenses:				
Instruction	3,291,716	2,819,822	471,894	17%
Support Services	217,750	265,671	(47,921)	-18%
Media Services	169,335	182,402	(13,067)	-7%
Administration	655,584	620,390	35,194	6%
Student Transportation	121,745	134,752	(13,007)	-10%
Operation and Maintenance	340,469	275,332	65,137	24%
School Food	184,681	162,678	22,003	14%
Extracurricular	20,497	46,265	(25,768)	-56%
Interest	<u>3,413</u>	<u>321</u>	<u>3,092</u>	<u>-</u>
Total Expenses	5,005,190	4,507,633	497,557	11%
Less Program Revenues	<u>692,466</u>	<u>609,856</u>	<u>82,610</u>	<u>14%</u>
Net (Expenses) Revenues	(4,312,724)	(3,897,777)	(414,947)	11%
Less General Revenues	<u>4,208,524</u>	<u>3,757,300</u>	<u>451,224</u>	<u>12%</u>
Change in Net Position	<u>(104,200)</u>	<u>(140,477)</u>	<u>36,277</u>	<u>-26%</u>

The School's expenses increased over the prior year. The primary reason relates to salaries, operation and maintenance, and technology purchases (the funding for this was supplied from the Quality School grant).

74Capital Assets and Debt of the District

During fiscal year 2014, the District purchased new security and phone systems, upgraded and installed equipment for the HVAC system. With the Quality School grant, the school purchased 25 computers for the library, 5 switches, 5 wireless access points and fiber optics.

The District entered into an operating lease with Redstone Leasing in September 2012 for the use of two copier/printer/faxes. The lease is for a 36 month period with monthly payments of \$866 and includes the hardware. Maintenance and supplies are the responsibility of the District. The District's lease expense for fiscal year 2014 was \$11,534.

Analysis of Financial Information

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

Target Range School District #23 provides instructional, transportation, and special education services, serving approximately 527 students in 13-14. The District receives funding from a variety of federal programs. The District's Hot Lunch Program is almost 100% self-sufficient.

The majority of the District's revenue for the operations of the District is generated from state funding sources. District retirement funds are generated from a countywide tax levy to pay social security, medicare, retirement and unemployment insurance expenses. The miscellaneous program fund is used to account for a variety of programs, mostly the federal programs previously mentioned. The District also has transportation revenues funded by state and countywide sources.

Target Range School District 23 has been spared from large decreases in student population. The District views the fact that funding has not kept up with the cost of inflation, the large increases in insurance premiums, and rapidly increasing heating/utility costs to be the main financial hurdles in future years.

The Future of the District

With present funding tied to State imposed budget caps and student enrollment, the District finds future choices of increasing revenue with a voted levy limited because of these imposed budget caps as costs of operations do not proportionally decrease as enrollments decline. If other revenue sources are not available, the District will need to consider decreasing expenditures through a variety of avenues including personnel/program reductions or eliminations. The District is hopeful that the planned subdivisions in the district will bring an increase in enrollment. In 2008, the District became aware of the needs for making the heating and cooling system functional and up to environmental standards. The District estimated the cost at approximately \$800,000. In March of 2012, the District was successful with running a \$850,000 school building levy to improve the district's main buildings and help make its historic Little White Schoolhouse a school and community center. In May of 2012, the District entered into a \$850,000 loan agreement with the Montana Board of Investments for financing costs associated with school building improvements. The total draws on the loan through January 2014 amounted to \$752,244.17.

Contact for Additional Information

If you have questions about this report or need additional information, contact Dr. Corey Austin, Superintendent at Target Range School District No. 23, 4095 South Avenue West, Missoula, MT 59804 or by phone at (406) 549-9239.

Target Range School District No. 23
Missoula County
Missoula, Montana
Statement of Net Position
June 30, 2014

Assets

Current Assets

Cash and Investments	\$ 933,734
Property Taxes Receivable	90,603
Due From Other Governments	38,528
Other Current Assets	<u>22,196</u>
Total Current Assets	<u>1,085,061</u>

Non-Current Assets

Capital Assets, Depreciable - Net	2,280,759
Capital Assets, Land	<u>111</u>

Capital Assets - Net	<u>2,280,870</u>
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Total Assets	<u>3,365,931</u>
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Liabilities

Current Liabilities

Accounts Payable	38,621
Current Portion of Intercap Loan	197,736
Current Portion of Compensated Absences	<u>-</u>

Total Current Liabilities	<u>236,357</u>
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Noncurrent Liabilities

OPEB	87,622
Intercap Loan	518,045
Noncurrent Portion of Compensated Absences	<u>125,537</u>

Total Noncurrent Liabilities	<u>731,204</u>
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Total Liabilities	<u>967,561</u>
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Net Position

Net Investment in Capital Assets	1,565,089
Restricted	693,738
Unrestricted (Deficit)	<u>139,543</u>

Total Net Position	<u>\$ 2,398,370</u>
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See Notes to Financial Statements.

Target Range School District No. 23
Missoula County
Missoula, Montana

Statements of Activities
For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue</u>
Government Operations				
Instruction:				
Regular Programs	\$ 2,426,834			\$ (2,426,834)
Other Programs	864,882		\$ 462,086	(402,796)
Support Services	217,750			(217,750)
Media Services	169,335			(169,335)
Administration				
Schools	317,062			(317,062)
General	180,076			(180,076)
Financial	158,446			(158,446)
Transportation	121,745		38,400	(83,345)
Operation and Maintenance	340,469			(340,469)
School Food	184,681	\$ 74,620	117,360	7,299
Extracurricular	20,497			(20,497)
Debt Service - Interest	3,413			(3,413)
Totals	<u>\$ 5,005,190</u>	<u>\$ 74,620</u>	<u>\$ 617,846</u>	<u>(4,312,724)</u>
General Revenues				
District Property Taxes				1,249,042
State Equalization				1,327,890
Other State Revenue				1,144,396
County Revenue				464,337
Investment Earnings				2,855
Other				20,004
Total General Revenues				<u>4,208,524</u>
Change in Net Position				(104,200)
Net Position				
Beginning of the Year				<u>2,502,570</u>
End of the Year			\$	<u>2,398,370</u>

See Notes to Financial Statements.

Target Range School District No. 23
Missoula County
Missoula, Montana

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Transpor- tation Fund	Miscel- laneous Fund	Building Reserve Fund	Building Fund	Other Governmental Funds	Total
Assets							
Cash and Investments	\$ 277,780	\$ 51,594	\$ 133,262	\$ 247,779	\$ 1,234	\$ 222,085	\$ 933,734
Property Taxes Receivable	66,340	12,001	-	9,865	-	2,397	90,603
Prepays	22,196	-	-	-	-	-	22,196
Due From Other Governments	-	-	37,778	-	-	750	38,528
Total Assets	<u>\$ 366,316</u>	<u>\$ 63,595</u>	<u>\$ 171,040</u>	<u>\$ 257,644</u>	<u>\$ 1,234</u>	<u>\$ 225,232</u>	<u>\$ 1,085,061</u>
Liabilities							
Accounts Payable	13,114	-	5,000	-	6,397	14,110	38,621
Total Liabilities	<u>13,114</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>6,397</u>	<u>14,110</u>	<u>38,621</u>
Deferred Inflows of Resources							
Deferred Property Taxes	66,340	12,001	-	9,865	-	2,397	90,603
Total Deferred Inflows of Resources	<u>66,340</u>	<u>12,001</u>	<u>-</u>	<u>9,865</u>	<u>-</u>	<u>2,397</u>	<u>90,603</u>
Fund Balance							
Restricted	-	51,594	166,040	247,779	-	208,725	674,138
Assigned	53,197	-	-	-	-	-	53,197
Unassigned	233,665	-	-	-	(5,163)	-	228,502
Total Fund Balance	<u>286,862</u>	<u>51,594</u>	<u>166,040</u>	<u>247,779</u>	<u>(5,163)</u>	<u>208,725</u>	<u>955,837</u>
Total Liabilities and Deferred Inflows of Revenue and Fund Balances							
	<u>\$ 366,316</u>	<u>\$ 63,595</u>	<u>\$ 171,040</u>	<u>\$ 257,644</u>	<u>\$ 1,234</u>	<u>\$ 225,232</u>	<u>\$ 1,085,061</u>
Reconciliation to the Statement of Net Position							
Total fund balance reported above							\$ 955,837
Add capital assets not reported above					\$ 4,793.405		
Less accumulated Depreciation					<u>(2,512,535)</u>		2,280,870
Less Liabilities not reported above:							
Compensated Absences							(125,537)
OPEB							(87,622)
Intercap Loan							(715,781)
Deferred property taxes recognized as revenue in the government-wide statement of net position							<u>90,603</u>
Net Position							<u>\$ 2,398,370</u>

See Notes to Financial Statements.

Target Range School District No. 23
Missoula County
Missoula, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Transpor- tation Fund</u>	<u>Miscel- laneous Fund</u>	<u>Building Reserve Fund</u>	<u>Building Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Revenues							
District Property taxes	\$ 873,739	\$ 162,712	\$ -	\$ 167,009	\$ -	\$ 31,882	\$ 1,235,342
Intergovernmental:							
County	-	19,200	-	-	-	464,337	483,537
State Equalization	1,327,890	-	-	-	-	-	1,327,890
State Other	1,019,776	24,166	325,176	-	-	9,312	1,378,430
Federal	-	-	247,252	-	-	117,360	364,612
School Food Sales	-	-	-	-	-	74,620	74,620
Interest	1,644	76	-	398	-	737	2,855
Other	2,392	-	16,233	-	-	1,379	20,004
	<u>3,225,441</u>	<u>206,154</u>	<u>588,661</u>	<u>167,407</u>	<u>-</u>	<u>699,627</u>	<u>4,887,290</u>
Expenditures							
Current Operations:							
Instruction:							
Regular Programs	1,928,223	-	13,995	-	224	360,970	2,303,412
Other Programs	282,695	-	525,141	-	-	57,047	864,883
Support Services	184,728	2,929	651	-	-	29,442	217,750
Media Services	150,663	-	-	-	-	18,673	169,336
Administration:							
Schools	230,672	48,762	133	-	-	33,458	313,025
General	129,981	21,827	563	-	-	14,990	167,361
Financial	123,811	13,548	1,351	-	-	7,862	146,572
Transportation	-	121,553	-	-	-	192	121,745
Operation and Maintenance	266,859	-	40,074	-	-	15,356	322,289
School Food	-	-	-	-	-	178,495	178,495
Extracurricular	18,836	-	-	-	-	1,661	20,497
Capital Outlay	22,751	-	-	5,480	466,660	-	494,891
Debt Service	-	-	-	74,458	-	-	74,458
	<u>3,339,219</u>	<u>208,619</u>	<u>581,908</u>	<u>79,938</u>	<u>466,884</u>	<u>718,146</u>	<u>5,394,714</u>
Excess (Deficiency) of							
 Revenues Over Expenditures	(113,778)	(2,465)	6,753	87,469	(466,884)	(18,519)	(507,424)
Other Sources and (Uses)							
Operating Transfers In (Out)	(7,129)	-	-	-	-	7,129	-
Loan Proceeds	-	-	-	-	635,454	-	635,454
Net Changes in Fund Balance	(120,907)	(2,465)	6,753	87,469	168,570	(11,390)	128,030
Fund Balance:							
Beginning of the Year	407,769	54,059	159,287	160,310	(173,733)	220,115	827,807
End of the Year	<u>\$ 286,862</u>	<u>\$ 51,594</u>	<u>\$ 166,040</u>	<u>\$ 247,779</u>	<u>\$ (5,163)</u>	<u>\$ 208,725</u>	<u>\$ 955,837</u>

See Notes to Financial Statements.

Target Range School District No. 23
Missoula County
Missoula, Montana

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

Excess (Deficiency) of Revenues Over Expenditures as Reported in the Government Funds Statement	\$	128,030
Revenues on the Statement of Activity not Included in Government Funds Statement:		
Decrease in Property Taxes Receivables		13,700
Amounts on the Statement of Activity not Included in the Government Funds Statement:		
Depreciation Expense	\$	(146,688)
Other Post Employment Benefit Obligations		(38,159)
Decrease in Compensated Absence Liability		8,436
		(176,411)
Amounts Reported in the Government Funds Statement not Included in the Statement of Activity:		
Loan Proceeds		(635,455)
Principal Payments on Long-term Debt		71,045
Capital Outlay		494,891
		(104,200)
Change in Net Position Reported on the Statement of Activity	\$	(104,200)

See Notes to Financial Statements.

Target Range School District No. 23
Missoula County
Missoula, Montana

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

	-----General Fund-----			--Transportation Fund-----	
	Original Budget	Final Budget	Actual	Original and Final Budget	Actual
Revenues					
District Property taxes	\$ 887,596	\$ 887,596	\$ 873,739	\$ 165,413	\$ 162,712
Intergovernmental:					
County	-	-	-	20,981	19,200
State Equalization	1,327,890	1,327,890	1,327,890	-	-
State Other	1,019,776	1,019,776	1,019,776	25,946	24,166
Interest	1,606	1,606	1,644	-	76
Other	-	-	2,392	-	-
	<u>3,236,868</u>	<u>3,236,868</u>	<u>3,225,441</u>	<u>212,341</u>	<u>206,154</u>
Expenditures and Encumbrances					
Current Operations:					
Instruction:					
Regular Programs			1,933,461		-
Special Programs			282,695		-
Support Services			186,425		2,929
Media Services			150,694		-
Administration:					
Schools			229,539		48,762
General			124,452		21,827
Financial			124,201		13,548
Transportation			-		121,553
Operation and Maintenance			282,116		-
Extracurricular			15,416		-
Capital Outlay			30,360		-
Total Expenditures and Encumbrances	<u>3,280,690</u>	<u>3,471,312</u>	<u>3,359,360</u>	<u>222,000</u>	<u>208,619</u>
Changes in Encumbrances	<u>-</u>	<u>-</u>	<u>(20,141)</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>3,280,690</u>	<u>3,471,312</u>	<u>3,339,218</u>	<u>222,000</u>	<u>208,618</u>
Excess (Deficiency) of					
Revenues Over Expenditures	<u>\$ (43,821)</u>	<u>\$ (234,444)</u>	<u>\$ (113,777)</u>	<u>\$ (9,659)</u>	<u>\$ (2,465)</u>

See Notes to Budget and Actual Schedule.

Target Range School District No. 23
Missoula County
Missoula, Montana

Statements of Fiduciary Net Position and
Changes in Fiduciary Net Position
Student Activity

As of and for the Year Ended June 30, 2014

Fiduciary Net Position

Assets:	
Cash	\$ <u>22,480</u>
Net Position:	
Held in Trust for Student Activities	\$ <u>22,480</u>

Changes in Fiduciary Net Position

Additions:	
Revenue from Student Activities	\$ 25,506
Deductions:	
Expenses of Student Activities	<u>32,991</u>
Changes in Net Position Held in Trust	(7,485)
Net Position, Beginning of the Year	<u>29,965</u>
Net Position, End of the Year	\$ <u>22,480</u>

See Notes to Financial Statements.

TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA

Notes to Financial Statements

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TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA

Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

A. Compliance with Generally Accepted Accounting Principles

Target Range School District No. 23 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Reporting Entity

The Target Range School District No. 23 provides elementary education from kindergarten through the eighth grade. All operations of the School are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees. Because the School is controlled by an elected governing board, is a separate legal entity, is not financially or fiscally dependent upon any other local government, or controlled by any other government, it is considered to be an independent reporting entity and has no component units.

C. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activity fund.

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

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

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds. These funds (except the fiduciary funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue (District defined the length of time used for "available" for purposes of revenue recognition to be 60 days). Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables. This change from previous years, when deferred property taxes were reported as a liability, results from the District's implementation of GASB 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2013. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when due. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

Miscellaneous Fund - This fund accounts for local, state or federal grants and reimbursements received by the District.

Building Fund - This fund accounts for financial resources to be used to acquire or construct major capital facilities.

Building Reserve fund - The fund accounts for the tax levied for purposes of building or construction projects.

The School also has a private-purpose trust fund, its student activity fund, which accounts for the extracurricular activities of its students.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Budgets

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. There were two budget amendments in 2014: for \$190,622 in the General Fund and for \$40,000 in the Retirement Fund to cover retirement expenses.

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

The miscellaneous fund is not presented because it is not a budgeted fund.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes.

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

E. Cash and Investments

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

F. Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable 50% on November 30 and 50% on May 31. Missoula County, at no charge to the taxing authorities, bills and collects all property taxes.

Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred property tax revenue. Uncollectible property taxes are not considered to be material and no allowance for uncollectible receivables is recorded.

G. Inventories

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

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

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

Buildings	50 years
Improvements other than Buildings	20 years
Machinery and Equipment	15 years

I. Warrants Payable

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

J. Deferred Property Tax Revenue

Deferred property tax revenue, categorized as a deferred inflow of resources in the government fund financial statements consists of property taxes receivable, as discussed above.

K. Compensated Absences

The School's liability for vacation pay is restricted under State statute to a maximum accumulation of two times the amount earned annually. Vacation leave is absorbed by time off from work or may be payable to the employee upon termination, within certain limitations.

Sick leave is accumulated for district employees at the rate of 12 days per year with no limit on the carry-over amount. Upon retirement or resignation, employees are eligible for sick leave compensation at one fourth of the accumulated amount. The accumulated amount is limited to seventy five days for certified employees.

Anticipated termination pay is classified as compensated absences due within one year and accrued vacation and sick leave is classified as non-current.

L. Estimates

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

2. CASH AND INVESTMENTS

The School participates in the Missoula County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with State law. Interest earnings are distributed monthly and allocated to the School based on month-end cash balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the School to determine investment risk (including amounts invested in financial derivatives), insurance coverage or collateral for its share of the pooled investments in the County Treasurer's program. Information on the County's investment pool can be obtained from the County's annual financial report.

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

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of \$38,528 due from the State of Montana.

4. CHANGES IN CAPITAL ASSETS

The changes in capital assets during 2014 were as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of Assets				
Land	\$ 111	\$ -	\$ -	\$ 111
Land Improvements	155,420	-	-	155,420
Building	3,797,349	481,836	-	4,279,185
Machinery and Equipment	345,634	13,055	-	358,689
Total	<u>4,298,514</u>	<u>494,891</u>	<u>-</u>	<u>4,793,405</u>
Accumulated Depreciation				
Land Improvements	(152,969)	(2,452)	-	(155,421)
Building	(2,117,412)	(127,146)	-	(2,244,558)
Machinery and equipment	(95,466)	(17,090)	-	(112,556)
Total	<u>(2,365,847)</u>	<u>(146,688)</u>	<u>-</u>	<u>(2,512,535)</u>
Net capital assets	<u>\$ 1,932,667</u>	<u>\$ 348,203</u>	<u>\$ -</u>	<u>\$ 2,280,870</u>

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

Instructional	\$ 115,813
General Administration	12,714
School Administration	1,476
Operation and Maintenance	14,922
Food Services	1,763
Total	<u>\$ 146,688</u>

5. LONG-TERM DEBT

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 133,973	\$ -	\$ (8,436)	\$ 125,537	\$ -
Intercap Loan Payable	151,371	635,455	(71,045)	715,781	197,736
OPEB	49,463	38,159	-	87,622	-
Total	<u>\$ 334,807</u>	<u>\$ 673,614</u>	<u>\$ (79,481)</u>	<u>\$ 928,940</u>	<u>\$ 197,736</u>

Compensated Absences - The payable represents vacation and sick leave earned by employees which is payable upon termination.

Intercap Revolving Program - During 2013, the District was approved for a loan not to exceed \$850,000 through the Montana Board of Investments Intercap Revolving Program. The loan proceeds for the current audit period were used for various projects including the carpeting, phone system, security system, and windows. The interest rate on the loan from the Montana Board of Investments (MBI) is adjusted annually based on MBI's cost of borrowing. The MBI has established the borrower's interest rate for the period February 16, 2014 through February 15, 2014 to be 1.00%.

The loan is payable in semiannual payments and based on a schedule requiring substantially equal payments of principal and interest over the term of the loan. Future debt service requirements (excluding interest) to maturity are as follows:

Fiscal Year Ending June 30th	Intercap Revolving Loan
2015	\$ 197,736
2016	205,790
2017	209,333
2018	102,923
2019	-
2020-2024	-
	<u>715,781</u>
Less current portion	<u>(197,736)</u>
	<u>\$ 518,045</u>

6. GOVERNMENT-WIDE RESTRICTED NET POSITION

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

6. GOVERNMENT-WIDE RESTRICTED NET POSITION (Continued)

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

Transportation	\$	63,595
School Food		29,596
Tuition		24,560
Retirement		69,834
Miscellaneous		166,040
Adult Education		28,065
Compensated Absences		19,049
Technology		13,795
Flexibility		2,679
Library Endowment		15,705
Debt Service		8,339
Building Fund		(5,163) *
Building Reserve		<u>257,644</u>
Total Restricted Fund Balance	\$	<u><u>693,738</u></u>

* = The Building Fund was adjusted for a contract payable estimate in June of 2014

7. GOVERNMENT FUND BALANCE REPORTING

The District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the District spends committed first, the assigned, and lastly, unassigned funds. Committed funds must be so designated by the School Board and assigned funds are designated by the Superintendent as authorized by the School Board. There were no committed funds at June 30, 2014.

Restricted Fund Balance consists of:

Fund		Purpose
Transportation	\$ 51,594	Student Transportation
School Food	29,596	School Food
Tuition	24,560	Instruction
Retirement	69,834	Retirement
Miscellaneous	166,040	Instruction - Special Programs
Adult Education	27,156	Instruction
Compensated Absences	19,049	Compensated Absences
Technology	11,807	Maintenance of Technology Equipment
Flexibility	2,679	Instruction
Library Endowment	15,705	Library
Debt Service	8,339	Bond Payment -Voted Levy
Building Reserve	<u>247,779</u>	Building and Construction - Voted Levy
Total Restricted Fund Balance	\$ <u><u>674,138</u></u>	

Assigned Fund Balance consists of:

General Fund	\$ 53,197
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Unassigned Fund Balance consists of:

Building	\$ (5,163)	Financing Building and Construction Projects *
General Fund	<u>233,665</u>	
	<u><u>228,502</u></u>	

* = See Note #6.

8. RETIREMENT PLANS

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

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

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
MTRS (Tier 1 Member)	8.470%	8.150%	2.49%	19.110%
MTRS (Tier 2 Member)	8.470%	8.150%	2.49%	19.110%
MPERS	7.800%	7.900%	0.37%	16.070%

MTRS - A "Tier 1 Member" is a person who became a member before July 1, 2013 and who has not withdrawn his/her account balance. A "Tier 2 Member" is a person who, after withdrawing his/her account balance, became a member again on or after July 1, 2013. Effective July 1, 2013, the Tier 1 member supplemental contribution may be decreased, and a Tier 2 member may be required to contribute a supplemental contribution, under circumstances in Section 19-20-608, MCA. Also, the employer supplemental contribution may be decreased under circumstances described in Section 19-20-609, MCA.

MPERS – On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Section 19-3-316 and 319, MCA.

The amounts contributed to MTRS and MPERS during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the School 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>
MTRS	\$ 321,942	\$ 338,478	\$ 467,454
MPERS	40,347	43,100	54,365
Total	<u>\$ 362,289</u>	<u>\$ 381,578</u>	<u>\$ 521,819</u>

The FY2013 to FY2014 increase relates primarily to the additional payment of \$48,000 to TRS in order to bring the reserves down from 35% to 20% per legislative order and seven employees who retired from the District. As a result of the retirement, the school had to contribute an additional \$40,813.

The State's contributions to the plans in 2014 were \$57,799 for MTRS and \$1,281 for MPERS. These amounts have not been included in the District's financial statements.

8. RETIREMENT PLANS (Continued)

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

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

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

9. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description – The School participates in the Montana Unified School Trust (MUST), a self-insured trust providing group health benefits and plan administration for Montana school districts. The healthcare plan, an agent multiemployer defined benefit Other Post Employment Benefits (OPEB) plan, provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government’s health care plan as long as they pay the same premium.

Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the “Alternative Measurement Method” for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

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

Actuarial Valuation Date	7/1/2012
Actuarial Accrued Liability (AAL)	\$ 613,876
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>613,876</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$ 2,351,153
UAAL as a Percentage of Covered Payroll	26%

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

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

Annual Required Contribution (ARC)	\$ 71,253
Interest on Net OPEB Obligation	-
Estimated Employer Benefits Paid	(33,094)
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>38,159</u>
Net OPEB Obligation - Beginning of the Year	49,463
Adjustment to ARC	-
Net OPEB Obligation - End of the Year	<u><u>\$ 87,622</u></u>

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

The actuarial assumptions included the following:

Actuarial Cost Method	Unit Credit Cost Method
Discount Rate (Average Anticipated Rate)	4.25%
Average Salary Increase	2.50%
Average Age of Retirement	30%

The healthcare cost trend rates are as follows:

<u>Year</u>	<u>% Increase</u>
2014	9.5%
2015	9.0%
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

10. RISK MANAGEMENT

The School faces a number of risks including (a) loss or damage to property and contents, (b) employee torts, (c) professional liability (i.e., errors and omissions), (d) environmental damage, (e) workers' compensation (i.e., employee injuries), and (f.) medical insurance costs of employees. 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 property and content damage, employee torts, professional liabilities, and medical insurance costs of employees. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The District participates in the state-wide public risk pools, the Montana Schools Group Workers' Compensation Risk Retention Program (WCRRP) for workers' compensation coverage. All school district participants in these pools are jointly and severally liable for the liabilities of these risk pools. Audited financial statements are available from WCRRP.

11. OPERATING LEASE

The District entered into an operating lease with Redstone Leasing in August 2009 for the use of two copier/printer/faxes. The lease is for a 36 month period with monthly payments of \$854 and includes the hardware. Maintenance and supplies are the responsibility of the District. The District's lease expense for fiscal year 2014 was \$11,534.

12. TRANSPORTATION CONTRACT

The District contracts with Beach Transportation for its student transportation needs. Beach provides busses, drivers, and maintenance of the busses for all student transportation needs within the District. This contract was renewed in June of 2014 for a period of five years through June 30, 2019. Transportation fees paid in fiscal year 2014 were \$119,987.

**TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	7/1/2012
Actuarial Accrued Liability (AAL)	\$ 613,876
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 613,876</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$ 2,351,153
UAAL as a Percentage of Covered Payroll	26%

**TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA**

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

	-----Fall-----		-----Winter-----		-----Spring-----	
	<u>School Records</u>	<u>Enrollment Report</u>	<u>School Records</u>	<u>Enrollment Report</u>	<u>School Records</u>	<u>Enrollment Report</u>
Grades K - 5	366	366	363	363	353	353
Grades 6 - 8	<u>161</u>	<u>161</u>	<u>161</u>	<u>161</u>	<u>163</u>	<u>163</u>
Total	<u><u>527</u></u>	<u><u>527</u></u>	<u><u>524</u></u>	<u><u>524</u></u>	<u><u>516</u></u>	<u><u>516</u></u>

Target Range School District No. 23

Missoula County

Missoula, Montana

Schedule of Revenues, Expenditures and Changes in Fund Balance

All Fund Accounts - Extracurricular Fund

For the Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Adjustment	Transfers In/Out	Ending Balance
Athletics	\$ (887)	\$ 4,020	4,360	-	1,227	\$ -
Building & Grounds	4,934	2	3	(1,045)	-	3,888
Classroom Novels	4,169	2	34	(878)	-	3,259
Clouse	383	-	145	(81)	(157)	-
Field Trip Middle School	209	4,883	5,023	(45)	-	24
Field Trips - Misc.	744	-	-	(158)	-	586
First Grade T-Shirt Sales	(42)	44	-	-	-	2
Helping Hands	6,973	2	945	(1,567)	(1,415)	3,048
Honor Band	(14)	539	691	-	166	-
Honor Roll	-	112	38	-	-	74
Instrument Acquisition	7	-	-	(2)	-	5
Instrument Rental & Repair	3,160	1,789	789	(662)	(433)	3,065
Kindergarten Field Trip	179	-	-	(38)	-	141
Library	709	-	-	(150)	-	559
Miscellaneous	265	-	(87)	(56)	-	296
Music & Show Choir	323	199	689	(100)	267	-
Orchestra Rental & Repair	355	559	217	(75)	-	622
Outside/Anonymous Donations	309	-	-	(65)	-	244
Recognition & Rewards	1,944	1	241	(459)	-	1,245
Robotics	834	-	-	(177)	-	657
Silverwood	866	3,727	4,178	(147)	195	463
Ski Trip	481	3,691	3,650	(458)	150	214
Solo Ensemble	152	484	300	(72)	-	264
Student Council	1,189	-	664	(235)	-	290
Student Donation Family Fund	373	728	678	(79)	-	344
Washington D. C.	-	52	52	-	-	-
Yearbook	2,350	4,672	3,669	(163)	-	3,190
Total	\$ 29,965	\$ 25,506	\$ 26,279	\$ (6,712)	-	\$ 22,480

Adjustment: The District incorrectly made a posting into the extracurricular fund.

TARGET RANGE SCHOOL DISTRICT NO. 23
MISSOULA COUNTY
MISSOULA, MONTANA

SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

DESCRIPTION OF THE SCHOOL DISTRICT

School District Number 23 is a School for grades kindergarten through 8th grade. The School is located approximately 3 miles west of the City of Missoula.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Grades K - 5						366
Grades 6 - 8						<u>161</u>
Total	<u>475</u>	<u>481</u>	<u>478</u>	<u>481</u>	<u>494</u>	<u>527</u>
Change in Enrollment		6	-3	3	13	33
Percentage Change		1%	-1%	1%	3%	7%

SCHOOL DISTRICT VALUATIONS

<u>As of January 1,</u>	<u>Assessed (Market) Valuations</u>	<u>% Change</u>	<u>Taxable Valuation</u>	<u>% Change</u>	<u>Taxable Valuation as a Percentage of Assessed Valuation</u>
2006	274,902,371	-	8,413,059	-	3%
2007	287,390,323	5%	8,610,556	2%	3%
2008	286,389,194	0%	8,842,885	3%	3%
2009	321,082,371	12%	8,962,563	1%	3%
2010	333,243,434	4%	9,012,304	1%	3%
2011	344,849,951	3%	8,981,025	0%	3%
2012	335,621,560	-3%	8,927,344	-1%	3%
2013	348,726,221	4%	8,968,117	0%	3%
2014	358,674,767	3%	8,949,900	0%	2%

SCHOOL DISTRICT TAX LEVIES (in mills)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General	106.00	103.35	99.24	99.45	97.94	98.98
Transportation	11.75	14.84	14.21	21.14	17.95	18.44
Adult Education	1.01	1.00	1.00	2.00	1.00	1.39
Technology	2.26	2.23	2.22	2.23	2.24	2.23
Debt Service	15.45	14.90	0.00	0.00	0.00	0.00
Building Reserve	4.52	4.46	4.44	0.00	19.04	18.96
Total	<u>140.99</u>	<u>140.78</u>	<u>121.11</u>	<u>124.82</u>	<u>138.17</u>	<u>140.00</u>

MAXIMUM BONDED INDEBTEDNESS

State statutes (MCA 20-9-406) limit the maximum bonded indebtedness to 50% of the School's taxable valuation at June 30, 2014. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student (average number belonging). Maximum bonded indebtedness under this exception is as follows:

<u>Debt Limit Calculation</u>	<u>Elementary</u>
2014/15 Statewide Taxable Value Per Student	\$ 33,140
x 2014/15 Budget ANB	543
Total	<u>17,995,020</u>
x Debt Limit Rate of 50%	50%
Maximum Debt Capacity	<u>\$ 8,997,510</u>

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Trustees
Target Range School District No. 23
Missoula County
Missoula, 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 Target Range School District No. 23, Missoula County, Missoula, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Target Range School District's basic financial statements and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Target Range School District No. 23, Missoula County, Missoula, 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 Target Range School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Target Range School District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below as item 14-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described below as item 14-2 to be a significant deficiency.

Compliance and Other Matters

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

14-1 – Financial Reporting

Condition – The District does not have the expertise to prepare or to evaluate the auditor prepared financial statements to ensure proper preparation in accordance with generally accepted accounting principles (GAAP). For example, I noted a capital expenditure for \$173,733 that should have been recorded in the prior year. The adjustment has been reflected in the audited financial statements.

Criteria – Auditing standards that became effective December 15, 2006, require the auditor to determine whether the School's internal control system allows for the reliable reporting of financial data in accordance with GAAP. In addition, the expenditures limitation for a nonbudgeted fund is the amount of cash balance of the nonbudgeted fund per State Law.

Effect – Not having the expertise to prepare or to evaluate the auditor prepared financial statements increases the risk of not preparing financial statements in accordance with GAAP. The adjustment noted above resulted in a deficit fund balance for the Building Fund at June 30, 2014, which is contrary to State Law.

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

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

14-2 – Supporting Documentation

Condition – During the audit, there were a few disbursement authorizations paid without adequate support documentation.

Criteria - The District's expenditures should be supported by adequate documentation before payment.

Effect – The lack of providing adequate supporting documentation increases the vulnerability for improper disbursements.

Recommendation – I recommend the District providing adequate supporting documentation for all expenditures. The supporting documentation should be attached to the authorization form.

Entity's Response to Findings

The District's response to audit findings identified in my audit is described on page 36. I did not audit the District's response and, accordingly, I express no opinion on it.

Purpose of this Report

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



December 18, 2014

TERRY JAMES BURKE
CERTIFIED PUBLIC ACCOUNTANT

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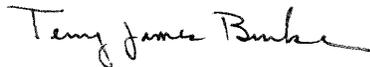
FACSIMILE:
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REPORT ON PRIOR AUDIT RECOMMENDATION

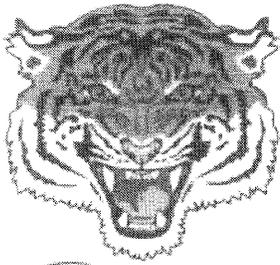
To the Board of Trustees
Target Range School District No. 23
Missoula County
Missoula, Montana

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

13-1– Financial Reporting – Repeated.



December 18, 2014



Target Range School District #23
4095 South Avenue West
Missoula, MT 59804
Phone: 406-549-9239
Fax: 406-728-8841



December 19, 2014

TO WHOM IT MAY CONCERN:

Our audit has one finding for the fiscal year 2013-2014. Our response is as follows:

14-1 Financial Reporting

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

School Response - The School District will consider hiring a qualified financial consultant to evaluate the auditor prepared financial statements. We are aware of this situation and will continue to evaluate this deficiency.

14-2 Supporting Documentation

Auditor's Recommendation – The District should provide adequate supporting documentation for all expenditures. The supporting documentation should be attached to the authorization form.

School Response – The school will provide supporting documentation for all expenditures.

A handwritten signature in black ink, appearing to read 'Tammy Tulberg', written in a cursive style.

TAMMY TULBERG, BUSINESS MANAGER