

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2013

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2013

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BIGFORK PUBLIC SCHOOLS

FLATHEAD COUNTY, MONTANA

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BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2013

**BOARD OF TRUSTEES**

Maureen Averill	Chairperson
David Carlson	Vice-Chairperson
Doug Fraley	Trustee
Patricia Landon	Trustee
Paul Sandry	Trustee
Zack Anderson	Trustee
Paul Sullivan Jr	Trustee

**DISTRICT OFFICIALS**

Cynthia Clary	District Superintendent
Eda Taylor	Business Manager
Marcia Scheffels	Superintendent of Schools
Ed Corrigan	County Attorney

**BIGFORK PUBLIC SCHOOLS  
SCHOOL DISTRICT #38,  
FLATHEAD COUNTY, MONTANA  
MANAGEMENT’S DISCUSSION & ANALYSIS**

This management’s discussion and analysis provides an overview of the school’s financial activities for the fiscal year ended June 30, 2013.

**USING THIS ANNUAL REPORT**

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 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 present a short-term view of the District’s activities. They include only current assets expected to be collected and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

This report includes district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus and using the accrual bases of accounting. This is similar to the basis of accounting used by most private-sector companies. Activities that are fiduciary in nature are not included in these statements.

The statement of net position comparison, on page 5, shows the “assets” (what is owned by the District), “liabilities” (what is owed by the district) and the “net assets” (the resources that would remain if all obligations were settled) of the District. The change in net assets over time is one indicator of whether the District’s financial health is improving or deteriorating. There are also other non financial factors that influence the District’s fiscal 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. The change in total liabilities and net position for FY 13 was (\$94,019).

The statement of activities comparison, on page 6, shows the amounts of program-specific and general school district expenditures and the revenues used to support the school district’s various functions in FY 13 and FY 12. Some programs included here are instructional, support services, administration, student transportation, and school food. Total expenditures for governmental activities decreased by \$283,193 in FY 13. Total revenues for the District, including program and general revenues, for FY 13 increased by \$363,022.

	<b>FY 12</b>	<b>FY 13</b>	<b>Variance</b>
<b>Expenditures</b>	7,941,331	7,658,138	(283,193)
<b>Revenue</b>	7,564,023	7,927,045	363,022
<b>Changes in Net Position</b>	(377,308)	268,907	646,215

**FUND FINANCIAL STATEMENTS - THE DISTRICT’S MOST SIGNIFICANT FUNDS**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District’s capitalization policy sets our capitalization amount at \$5000. The district’s capital assets include land, buildings, buses and other vehicles, and other major equipment. Net capital assets for the District have decreased by (\$227,179).

The District does have outstanding general obligation bonds. In October 2007, the voters in the Bigfork Elementary School District authorized the issue and sale of general obligation bonds in the principal amount of \$5.5 million for the purpose of providing funds to pay the costs of designing, constructing, furnishing, and equipping improvements to the elementary school facilities and to make site improvements. Bonds were sold in November 2008: General Obligation Bonds, Series 2008). Final payment will be in July 2023.

**THE FUTURE OF THE DISTRICT**

The Fall enrollment report completed in October 2013 shows that our overall elementary enrollment has increased by 15 students. K-6 enrollment increased by 18 students and grade 7 & 8 enrollment decreased by 3 students. Our high school enrollment has increased for the second year. In the previous 6 years the high school enrollment had shown significant decreases. Enrollment in October 2013 shows the high school enrollment has increased by 14 students.

<b>ENROLLMENT</b>	<b>Fall 2013</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Elementary School (total)</b>	538	523	502	475.5
<b>K-6</b>	415	397	389	370.5
<b>7 &amp; 8</b>	123	126	113	105
<b>High School</b>	286	272	255	256

Special Education continues to be a major expenditure. The cost of providing the required educational programs exceeds the state special education funding, the required local match, and Federal Part B funding that we receive. The result is a decrease in funding available for the general education program. The Elementary special education expenses exceeded funds available by \$44,171.19 and the High School special education expenses exceeded funds available by \$19,407.66. This high school amount is increase from last year due to a 0.5 FTE increase in special education staff.

<b>SPECIAL EDUCATION</b>	<b>Elementary School</b>	<b>High School</b>
State Allowable Cost	\$104,488.74	\$52,644.71
Required District Match	\$34,481.28	\$17,372.75
Federal Part B	\$106,841.00	\$49,772.00
<b>TOTALS</b>	<b>\$245,811.02</b>	<b>\$119,789.46</b>
<b>District Expenses</b>	<b>\$289,982.21</b>	<b>\$139,197.12</b>

Food Service expenditure costs continue to be higher than revenue and our General Funds continues to supplement food service expense, this year with \$12,209.46. Until a few years ago, the Food Service Program had been self-sustaining and able to keep a modest reserve balance. In FY 13, revenues in the Food Service Fund were \$219,160.04 and expenditures were \$230,932.43 Efforts will continue to be made to decrease costs while at the same time increase revenues. Collections continue to be an issue but assuring that all students have a healthy lunch is a high priority.

Given increasing operational costs, an increase in sustainable funding will be necessary to maintain desired staff levels and programs and to continue the District's desire to improve teacher salaries and also to keep class sizes low. Should funding levels not increase to a sufficient level, staff will have to be reduced thus increasing class sizes and requiring a cut back in programs. The future of school funding is still uncertain.

**For more information:**

Bigfork School District  
600 Commerce  
PO Box 188  
Bigfork, Montana 59911

Superintendent: Dr Cynthia Clary, 406/837-7400, [cclary@bigfork.k12.mt.us](mailto:cclary@bigfork.k12.mt.us)

Business Manager: Eda Taylor, 406/837-7400, [ereid@bigfork.k12.mt.us](mailto:ereid@bigfork.k12.mt.us)

**Bigfork Public Schools, Flathead County, Montana**  
**MD & A Comparisons**  
**June 30, 2013**

**Table 1 - Net Position**

	<b>Governmental</b>		
	<b>Activities</b>		
	<b><u>FY13</u></b>	<b><u>FY12</u></b>	<b><u>Change</u></b>
			<b><u>Inc (Dec)</u></b>
Current and other assets	\$ 2,352,735	\$ 2,219,578	\$ 133,157
Capital assets	7,259,239	7,486,415	(227,176)
Total assets	<u>9,611,974</u>	<u>9,705,993</u>	<u>(94,019)</u>
Long-term debt outstanding	\$ 4,947,976	\$ 5,313,729	\$ (365,753)
Other liabilities	124,168	127,470	(3,302)
Total liabilities	<u>5,072,144</u>	<u>5,441,199</u>	<u>(369,055)</u>
Invested in capital assets, net of debt	3,159,239	3,061,415	97,824
Restricted	1,366,343	1,271,898	94,445
Unrestricted (deficit)	14,248	(68,519)	82,767
Total net position	<u>\$ 4,539,830</u>	<u>\$ 4,264,794</u>	<u>\$ 275,036</u>



**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY13</u></b>	<b><u>FY12</u></b>	<b><u>Change Inc (Dec)</u></b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 95,963	\$ 84,717	\$ 11,246
Operating grants and contributions	1,171,286	999,076	172,210
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,207,789	3,112,408	95,381
Grants and entitlements not restricted to specific programs	2,421,840	2,361,388	60,452
Investment earnings	9,983	26,311	(16,328)
Miscellaneous (other revenue)	9,078	95,369	(86,291)
State entitlement (block grants)	326,024	305,187	20,837
State technology	5,411	5,366	45
County retirement	679,671	574,201	105,470
Total revenues	<u>\$ 7,927,045</u>	<u>\$ 7,564,023</u>	<u>\$ 363,022</u>
<b>Program expenses</b>			
Instructional - regular	\$ 3,704,015	\$ 3,740,105	\$ (36,090)
Instructional - special education	381,382	444,275	(62,893)
Instructional - vocational education	137,646	191,571	(53,925)
Supporting services - operations & maintenance	683,489	737,057	(53,568)
Supporting services - general	339,609	350,052	(10,443)
Supporting services - educational media services	192,959	271,584	(78,625)
Administration - general	182,067	193,692	(11,625)
Administration - school	366,928	305,776	61,152
Administration - business	235,476	212,213	23,263
Student transportation	588,314	644,585	(56,271)
Extracurricular	201,103	209,695	(8,592)
School food	246,937	239,864	7,073
Debt service expense - interest	150,554	160,629	(10,075)
Unallocated depreciation*	247,659	240,233	7,426
Total expenses	<u>\$ 7,658,138</u>	<u>\$ 7,941,331</u>	<u>\$ (283,193)</u>
Excess (deficiency) before special items and transfers	\$ 268,907	\$ (377,308)	\$ 646,215
Transfers - net	-	-	-
<b>Increase (decrease) in net position</b>	<u>\$ 268,907</u>	<u>\$ (377,308)</u>	<u>\$ 646,215</u>

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 7, 34 through 35, and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basis financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and compliance.

*Derring, Downey and Associates, CPAs, P.C.*

January 10, 2014

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2013**

		<u><b>Governmental Activities</b></u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	1,907,803
Taxes and assessments receivable, net		182,518
Due from other governments		262,414
Total current assets	\$	<u>2,352,735</u>
Noncurrent assets		
Capital assets - land	\$	11,696
Capital assets - depreciable, net		7,247,543
Total noncurrent assets		<u>7,259,239</u>
Total assets	\$	<u><u>9,611,974</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued payroll	\$	124,168
Current portion of long-term liabilities		49,000
Current portion of long-term capital liabilities		340,000
Current portion of compensated absences payable		114,812
Total current liabilities	\$	<u>627,980</u>
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	415,773
Noncurrent portion of long-term capital liabilities		3,760,000
Noncurrent portion of compensated absences		268,391
Total noncurrent liabilities		<u>4,444,164</u>
Total liabilities	\$	<u><u>5,072,144</u></u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	\$	3,159,239
Restricted for capital projects		268,965
Restricted for debt service		96,649
Restricted for special projects		1,000,729
Unrestricted		14,248
Total net position	\$	<u>4,539,830</u>
Total liabilities and net position	\$	<u><u>9,611,974</u></u>

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Operating</u>	<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Services</u>	<u>Grants and</u>	<u>Changes in Net Assets</u>
<b>Primary government:</b>				<u>Contributions</u>	<u>Primary Government</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instructional - regular	\$ 3,704,015	\$	17,493	\$ 448,655	\$ (3,237,867)
Instructional - special education	381,382		-	375,662	(5,720)
Instructional - vocational education	137,646		-	24,730	(112,916)
Supporting services - operations & maintenance	683,489		-	-	(683,489)
Supporting services - general	339,609		-	-	(339,609)
Supporting services - educational media services	192,959		-	-	(192,959)
Administration - general	182,067		-	-	(182,067)
Administration - school	366,928		-	3,690	(363,238)
Administration - business	235,476		-	-	(235,476)
Student transportation	588,314		-	177,970	(410,344)
Extracurricular	201,103		-	-	(201,103)
School food	246,937		78,470	140,579	(27,888)
Debt service expense - interest	150,554		-	-	(150,554)
Unallocated depreciation*	247,659		-	-	(247,659)
Total governmental activities	\$ 7,658,138	\$	95,963	\$ 1,171,286	\$ (6,390,889)
General Revenues:					
					\$ 3,207,789
					2,421,840
					9,983
					9,078
					326,024
					5,411
					679,671
					\$ 6,659,796
					\$ 268,907
					\$ 4,264,792
					6,131
					\$ 4,270,923
					\$ 4,539,830

\* This amount excludes the depreciation that is included in the direct expenses of the various programs  
See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General</u>		<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 767,674	\$	1,140,129	\$	1,907,803
Taxes and assessments receivable, net	134,854		47,664		182,518
Due from other governments	44,614		217,800		262,414
Total assets	<u>\$ 947,142</u>	\$	<u>1,405,593</u>	\$	<u>2,352,735</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accrued payroll	\$ 84,918	\$	39,250	\$	124,168
Deferred revenue	134,855		47,663		182,518
Total liabilities	<u>\$ 219,773</u>	\$	<u>86,913</u>	\$	<u>306,686</u>
<b>FUND BALANCES</b>					
Restricted	\$ -	\$	1,151,567	\$	1,151,567
Assigned	209,636		169,266		378,902
Unassigned	517,733		(2,153)		515,580
Total fund balance	<u>\$ 727,369</u>	\$	<u>1,318,680</u>	\$	<u>2,046,049</u>
Total liabilities and fund balance	<u>\$ 947,142</u>	\$	<u>1,405,593</u>	\$	<u>2,352,735</u>

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2013**

<b>Total fund balances - governmental funds</b>	\$	2,046,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,259,239
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		182,518
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(4,947,976)
<b>Total net position - governmental activities</b>	<b>\$</b>	<u><u>4,539,830</u></u>

See accompanying Notes to the Financial Statements



**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local revenue	\$ 2,407,587	\$ 1,095,897	\$ 3,503,484
County revenue	-	750,700	750,700
State revenue	2,900,760	210,612	3,111,372
Federal revenue	-	605,590	605,590
Total revenues	<u>\$ 5,308,347</u>	<u>\$ 2,662,799</u>	<u>\$ 7,971,146</u>
<b>EXPENDITURES</b>			
Instructional - regular	\$ 2,809,686	\$ 931,995	\$ 3,741,681
Instructional - special education	191,386	189,996	381,382
Instructional - vocational education	121,574	16,072	137,646
Supporting services - operations & maintenance	604,127	71,745	675,872
Supporting services - general	299,115	40,003	339,118
Supporting services - educational media services	167,123	25,836	192,959
Administration - general	155,847	26,220	182,067
Administration - school	329,666	37,262	366,928
Administration - business	191,826	43,650	235,476
Student transportation	57,565	457,171	514,736
Extracurricular	161,525	37,835	199,360
School food	12,209	234,528	246,737
Debt service expense - principal	-	325,000	325,000
Debt service expense - interest	-	150,554	150,554
Capital outlay	6,405	100,794	107,199
Total expenditures	<u>\$ 5,108,054</u>	<u>\$ 2,688,661</u>	<u>\$ 7,796,715</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 200,293</u>	<u>\$ (25,862)</u>	<u>\$ 174,431</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 70,000	\$ 70,000
Transfers out	(70,000)	-	(70,000)
Total other financing sources (uses)	<u>\$ (70,000)</u>	<u>\$ 70,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 130,293</u>	<u>\$ 44,138</u>	<u>\$ 174,431</u>
Fund balances - beginning	\$ 593,590	\$ 1,271,897	\$ 1,865,487
Restatements	3,486	2,645	6,131
Fund balances - beginning, restated	<u>\$ 597,076</u>	<u>\$ 1,274,542</u>	<u>\$ 1,871,618</u>
Fund balance - ending	<u>\$ 727,369</u>	<u>\$ 1,318,680</u>	<u>\$ 2,046,049</u>

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

Amounts reported for *governmental activities* in the statement of activities are different because:

**Net change in fund balances - total governmental funds** \$ 174,431

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 107,199  
- Depreciation expense (334,375)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue) (44,101)

The change in compensated absences is shown as an expense in the Statement of Activities

76,609

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:

- Long-term debt principal payments 325,000

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Postemployment benefits other than retirement liability (35,856)

**Change in net position - Statement of Activities** \$ 268,907

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$	106,755	\$	281,046
Total assets	\$	<u>106,755</u>	\$	<u>281,046</u>
<b>LIABILITIES</b>				
Warrants payable	\$	-	\$	172,288
Due to others		-		108,758
Total liabilities	\$	<u>-</u>	\$	<u>281,046</u>
<b>NET POSITION</b>				
Assets held in trust	\$	<u>106,755</u>		

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2013**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	127,348
Total contributions	\$	127,348
Total additions	\$	127,348
 <b>DEDUCTIONS</b>		
Student activities	\$	103,913
Total deductions	\$	103,913
Change in net position	\$	23,435
Net Position - Beginning of the year	\$	83,320
Net Position - End of the year	\$	106,755

See accompanying Notes to the Financial Statements

BIGFORK PUBLIC SCHOOLS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

*Primary Government*

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are

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those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and 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 regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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.

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

*General Fund* - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

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***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Student Extracurricular Activities Fund* – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

*Claims and Payroll Clearing Funds* – These funds are agency funds used for the clearing of warrants.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2013, consisted of certificates of deposits, Federal Home Loan, Federal National Mortgage Association, and U.S. Government Securities.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 South Main Street, Kalispell, MT 59901 Fair value approximates carrying value for investments as of June 30, 2013. The investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S.



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government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

**Deposits**

The District's deposit balance at year end was \$106,756 and the bank balance was \$116,803. The District's deposits at year-end were 100% insured by FDIC.

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. INVENTORIES**

The cost of inventories are recorded as an expenditure when purchased.

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

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Buildings	20 – 50 years
Improvements	20 – 50 years
Equipment	5 – 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has the value of all infrastructure into the 2013 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:			
Land	\$ 11,696	\$ -	\$ 11,696
Other capital assets:			
Buildings	\$ 10,045,556	\$ 100,794	\$ 10,146,350
Improvements other than buildings	27,440	-	27,440
Machinery and equipment	<u>1,872,687</u>	<u>6,405</u>	<u>1,879,092</u>
Total other capital assets at historical cost	\$ 11,945,683	\$ 107,199	\$ 12,052,882
Less: accumulated depreciation	<u>\$ (4,470,964)</u>	<u>\$ (334,375)</u>	<u>\$ (4,805,339)</u>
Total	<u>\$ 7,486,415</u>	<u>\$ (227,176)</u>	<u>\$ 7,259,239</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:

Instructional – regular	\$ 3,087
Supporting services – operations and maintenance	7,617
Supporting services – general	491
Student transportation	73,578
Extracurricular	1,743
School food	200
Unallocated depreciation	<u>247,659</u>
Total governmental activities depreciation expense	<u>\$ 334,375</u>

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**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 4,425,000	\$ -	\$ (325,000)	\$ 4,100,000	\$ 340,000
Compensated absences	459,812	-	(76,609)	383,203	114,812
Retiree liability	175,000	-	(49,000)	126,000	49,000
Other post-employment benefits*	253,917	105,610	(20,754)	338,773	-
Total	<u>\$ 5,313,729</u>	<u>\$ 105,610</u>	<u>\$ (471,363)</u>	<u>\$ 4,947,976</u>	<u>\$ 503,812</u>

\*See Note 7

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2013 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2013</u>
Elementary Building, Series 2008	2/28/08	3.05-5%	15 yrs	7/1/2023	\$5,500,000	Varies	<u>\$ 4,100,000</u>

Reported in the governmental activities.

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Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 340,000	\$ 168,002
2015	355,000	155,252
2016	370,000	141,762
2017	380,000	127,332
2018	400,000	112,132
2019	415,000	95,932
2020	430,000	78,710
2021	450,000	60,650
2022	470,000	41,525
2023	490,000	21,320
Total	<u>\$ 4,100,000</u>	<u>\$ 1,002,617</u>

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

**Special Retirement Benefits**

The District offered early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The incentive offered certified staff in fiscal year ending June 30, 2012 was a cash payment of \$21,000 to be paid over three years beginning in fiscal year ended June 30, 2013. The District had 6 employees participating in this incentive. In addition,, the District offered an administrative employee a cash payment of \$49,000 to be paid over seven years beginning in fiscal year ended June 30, 2013. The District recorded a liability of \$126,000 for retirement incentives due as of June 30, 2013.

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**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The Bigfork School District is a single-employer defined benefit healthcare plan administered by Allegiance Benefit Plan Management. Bigfork School District provides medical benefits to eligible retirees and their spouses.

Retirees of Bigfork School District #38 and their eligible Dependents shall be eligible under this Plan if the Retiree satisfies one of the following conditions:

1. The retired person was an eligible covered Employee under this Plan on the day immediately before the date of retirement and retired pursuant to the terms of the Montana Teachers Retirement System or Public Employees Retirement laws and is eligible for coverage pursuant to the terms of 2-181-704, MCA, as amended from time to time.
2. The retired person was an eligible Covered Employee under this Plan on the day Immediately before the date of retirement, was not eligible for retirement under the terms of 2-18-704, MCA, but was eligible for retirement under the terms and conditions of the employment policies and practices of the Member Group with which the person was employed on the day immediately before retirement.

The plan does not issue a stand alone financial report.

*Funding Policy.* The contribution requirements of plan members and the State are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters 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 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	105,610
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)	\$	<u>105,610</u>
Contributions made	\$	<u>-</u>
Increase in net OPEB obligation	\$	<u>105,610</u>
Net OPEB obligation – beginning of year	\$	<u>253,917</u>
Restatement	\$	<u>(20,754)</u>
Net OPEB obligation – end of year	\$	<u><u>338,773</u></u>

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*Funded Status and Funding Progress.* As of July 1, 2012 the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability (AAL) for benefits was \$742,127, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$742,127.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial funding method used to determine the cost of the Bigfork Public School is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down 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 amortizations schedule.

The actuarial assumptions included a:

- 4.25% Investment/discount rate
- 2.5% Projected payroll increases
- 45% Of future retirees are assumed to elect coverage a the time of retirement
- 48% Of future eligible spouses of future retirees are assumed to elect medical coverage

The actuarial assumptions also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2015</u>
Medical and prescription drugs	10%	8.0%

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**NOTE 8. STATE-WIDE RETIREMENT PLANS**

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	6.8 %	7.47%
Employee	6.90 %*	7.15%
State	0.37%	2.49%

\* For PERS members hired after 7/1/2011 that rate is 7.9%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

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

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

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The District's contributions for the years ended June 30, 2011, 2012, and 2013, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2011	\$ 54,954	\$ 257,078
2012	\$ 52,328	\$ 247,721
2013	\$ 53,381	\$ 272,795

**NOTE 9. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

The government considers restricted amounts to have been spend first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.





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**NOTE 12. RESTATEMENTS**

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 3,486	Purchase order adjustment
EL Transportation	1,323	Purchase order adjustment
HS Transportation	<u>1,322</u>	Purchase order adjustment
Total All Restatements	<u>\$ 6,131</u>	

**NOTE 13. 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 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. Separate financial statements are available from the Flathead County Education Cooperative.

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on ANB. Each District is charge a fee for each student participating in the program.

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**NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

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

**NOTE 15. RISK MANAGEMENT**

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Bigfork Public Schools, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 2,378,204	\$ 2,434,204	\$ 2,407,405	\$ (26,799)
State revenue	2,861,480	2,861,480	2,861,480	-
Amounts available for appropriation	\$ <u>5,239,684</u>	\$ <u>5,295,684</u>	\$ <u>5,268,885</u>	\$ <u>(26,799)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 2,752,063	\$ 2,817,802	\$ 2,813,382	\$ 4,420
Instructional - special education	163,878	187,317	187,317	-
Instructional - vocational education	169,270	117,944	117,944	-
Supporting services - operations & maintenance	683,674	700,157	650,181	49,976
Supporting services - general	304,295	299,115	299,115	-
Supporting services - educational media services	156,963	167,792	167,792	-
Administration - general	206,659	161,320	161,320	-
Administration - school	332,411	336,521	336,521	-
Administration - business	201,649	200,486	200,486	-
Student transportation	57,085	57,565	57,565	-
Extracurricular	157,428	161,753	161,753	-
School food	19,749	12,209	12,209	-
Capital outlay	-	26,006	75,982	(49,976)
Total charges to appropriations	\$ <u>5,205,124</u>	\$ <u>5,245,987</u>	\$ <u>5,241,567</u>	\$ <u>4,420</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (34,561)	\$ (70,000)	\$ (70,000)	\$ -
Total other financing sources (uses)	\$ <u>(34,561)</u>	\$ <u>(70,000)</u>	\$ <u>(70,000)</u>	\$ <u>-</u>
Net change in fund balance			\$ <u>(42,682)</u>	
Fund balance - beginning of the year			\$ 503,444	
Restatements			3,486	
Fund balance - beginning of the year - restated			\$ <u>506,930</u>	
<b>Fund balance - end of the year</b>			\$ <u>464,248</u>	

**Bigfork Public Schools, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

		<u>General</u>
<b>Sources/Inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	5,268,885
Combined funds (GASBS 54) revenues		<u>39,462</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$	<u>5,308,347</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	5,241,567
Combined funds (GASBS 54) expenditures		8,051
- Encumbrances reported at the beginning of the year		68,071
- Encumbrances reported at the end of the year		<u>(209,635)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>5,108,054</u></u>

**Bigfork Public Schools**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Actuarial Accrued Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 549,837	\$ 549,837	0%	\$ 3,454,921	15.9%
July 1, 2012	\$ -	\$ 742,127	\$ 742,127	0%	\$ 4,256,856	17.4%

Changes in plan provisions

Effective July 1, 2011

Changed vendors and plans offered

Preexisting Condition Waiting Period has been waived.

Fully-covered In-Network Preventive Benefits have been implemented.

Comprehensive Life Maximum has been removed



# **SUPPLEMENTAL INFORMATION**

**Bigfork Public Schools  
Flathead County, Montana  
SCHEDULE OF ENROLLMENT  
For the fiscal year ended June 30, 2013**

**Fall Enrollment - October, 2012**

**Elementary School District**

	FALL		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Pre-Kindergarten	0	0	0
Kindergarten Full	50	50	0
Kindergarten Part	0	0	0
Grades 1-6	343	343	0
Grades 7-8	125	125	0
<b>Total Elementary</b>	<b>518</b>	<b>518</b>	<b>0</b>

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	1	0	0	0	1	0	0

**High School District**

	FALL		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Grades 9-12	273	273	0
19 year-olds	2	2	0
Job Corps students	0	0	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	1	2	3	0	1	2	3	0	0

**Spring Enrollment - February, 2013**

**Elementary School District**

	SPRING		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Pre-Kindergarten	0	0	0
Kindergarten - Full	52	52	0
Kindergarten - Part	0	0	0
Grades 1-6	349	349	0
Grades 7-8	127	127	0
<b>Total Elementary</b>	<b>528</b>	<b>528</b>	<b>0</b>

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	1	0	0	0	1	0	0

**High School District**

	SPRING		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Grades 9-12	271	271	0
19 year-olds	2	2	0
Early Graduates	2	2	0
Job Corps students	0	0	0

**Part-time Students**

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	2	1	4	0	2	1	4	0	0

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND - Elementary and Middle School  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2013

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
Art Fund	\$ 1,024	\$ -	\$ -	\$ 1,024
Athletics	(573)	2,327	4,388	(2,634)
Band	1,527	37	-	1,564
Bank fees	149	16	-	165
Eighth Grade	112	-	-	112
Enrichment	606	-	-	606
Fifth Grade	40	-	-	40
Fourth Grade	2,706	4,739	2,345	5,100
General	1,786	1,477	2,542	721
Grade School	14	-	-	14
Japan	(2)	-	-	(2)
Library	1,214	180	65	1,329
Middle School Choir	154	-	-	154
Music Boosters	525	-	-	525
National Junior Honor	547	-	-	547
Needy Kids	622	810	1,074	358
Science	17	-	-	17
Second Grade	62	-	-	62
Seventh Grade	143	-	-	143
Sixth Grade	679	1,848	1,255	1,272
Student Council	840	842	864	818
Student Store	188	307	-	495
Technology	84	-	-	84
Third Grade	58	136	30	164
Trish Shults - FOBS	250	-	-	250
Yearbook	1,024	1,750	1,649	1,125
Ravenwood	1,084	-	-	1,084
Other Student Activities	6	-	-	6
<b>Total</b>	<b>\$ 14,886</b>	<b>\$ 14,469</b>	<b>\$ 14,212</b>	<b>\$ 15,143</b>

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND - High School  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2013

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
AFS	\$ 91	\$ -	\$ -	\$ -	\$ 91
Art Club	965	2,654	2,629	-	990
Annual	716	10,732	10,359	1,065	2,154
Auto Shop	5,203	-	1,052	-	4,151
Auto Repair/Parts	5,591	-	-	-	5,591
Athletics	6,290	59,273	53,628	(1,100)	10,835
Band	563	6,700	4,513	75	2,825
Band Scholarship	891	-	36	-	855
Boys Basketball	541	1,200	1,734	-	7
Book Club	1,003	-	-	-	1,003
Bio Club	179	-	-	-	179
Cheerleaders	232	2,120	500	-	1,852
Choir	256	-	-	-	256
Class of 2014	589	1,541	1,094	1,000	2,036
Class of 2015	133	32	54	1,000	1,111
Class of 2016	258	-	-	500	758
Class of 2013	2,670	-	918	-	1,752
Alpine Club	517	-	-	-	517
Close Up	123	-	-	-	123
Pepsi #1	881	690	-	-	1,571
Pepsi #1F-SB	3,178	1,794	-	(2,500)	2,472
Pepsi #2-SC	2,361	1,794	-	-	4,155
Computer Club	386	-	-	-	386
Concessions	120	-	-	-	120
Cross Country	44	-	-	-	44
Drama	2,380	-	-	-	2,380
Family & Consumer	688	-	-	-	688
General Activities	1,550	945	1,357	-	1,138
Girls Basketball	2,547	1,200	480	-	3,267
Golf	50	-	-	-	50
Football Donations	1,050	1,644	-	-	2,694
Hiawatha Trail	733	-	-	-	733
Indoor Track	1,859	70	-	-	1,929
Library Club	1,381	10	724	-	667
National Honor Society	3	187	85	-	105
Newspaper	494	2,854	2,899	-	449
Scholarships	4,395	-	40	(65)	4,290
SADD	102	-	-	-	102
Science Club	3,466	110	-	-	3,576
Spanish Club	27	-	-	-	27
Soccer	1,048	-	-	-	1,048
Speech	777	440	66	-	1,151
Stand	75	-	-	-	75
Student Council	2,883	754	2,371	25	1,291
Student Store	1,162	-	500	-	662
Tennis Club	11	-	-	-	11
Tournament	2,738	9,395	-	-	12,133
Tennis Courts	25	-	-	-	25
Volleyball	4,010	6,741	4,663	-	6,088
Wood Shop	786	-	-	-	786
Wood Shop Club	350	-	-	-	350
Washington DC Trip	1	-	-	-	1
Young Democrats	60	-	-	-	60
Total	\$ <u>68,432</u>	\$ <u>112,880</u>	\$ <u>89,702</u>	\$ <u>-</u>	\$ <u>91,610</u>

# **SINGLE AUDIT SECTION**

Bigfork Public Schools, Flathead County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For Fiscal Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures June 30, 2013</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Montana Office of Public Instruction:</i>			
National School Lunch Program	10.555	N/A	\$ 113,416
School Breakfast Program	10.553	N/A	19,871
National School Lunch Program(Commodities)(1)	10.555	N/A	11,586
After School Snack Program	10.558	N/A	<u>5,495</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ <u>150,368</u></b>
<b><u>U.S. Department of Education</u></b>			
<i>Direct:</i>			
Title VI, Part B, Subpart 1, Small Rural School	84.358A	S358A121851	\$ 14,099
Title VI, Part B, Subpart 1, Small Rural School	84.358A	S358A121852	16,480
Title I, Part A, Improving Basic Programs	84.010A	1503303112	10,510
Title I, Part A, Improving Basic Programs	84.010A	1503303113	275,261
IDEA, Part B, Children with Disabilities	84.027	1503397713	91,194
IDEA, Part B, Children with Disabilities	84.027	1503397712	38,448
Carl Perkins (Federal Vo-Ed) – Basic Grant	84.048A	1503318112BG	<u>21,313</u>
<b>Total U.S. Department of Education</b>			<b>\$ <u>467,305</u></b>
<b>Total Federal Financial Assistance</b>			<b>\$ <u>617,673</u></b>

(1) This amount represents the value of donated food received under the child nutrition cluster. Individual inventory categories or items were not valued. Therefore, it was not possible to determine the value of donated food use (expenditures) or value of the beginning and ending inventory balances.

N/A=Not Applicable or Not Available

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2013

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bigfork Public Schools, Flathead County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901*

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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  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bigfork Public Schools basic financial statements and have issued our report thereon dated January 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bigfork Public Schools, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as item 13-1.



### **Compliance and Other Matters**

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

### **Bigfork Public Schools Response to Findings**

Bigfork Public Schools' response to the findings identified in our audit is described in the Auditee's Response in the Schedule of Findings and Questioned Costs. Bigfork Public Schools response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

*Derrington, Downey and Associates, CPAs, P.C.*

January 10, 2014

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Bigfork Public Schools, Flathead County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Bigfork Public Schools major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bigfork Public Schools, Flathead County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Bigfork Public Schools, Flathead County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Bigfork Public Schools, Flathead County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Derring, Downey and Associates, CPA's, P.C.*

January 10, 2014

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2013

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A Improving Basic Programs
84.048A	Carl Perkins – Basic Grant
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	No

## **Section II – Financial Statement Findings**

### **13-1 High School Student Activities Internal Controls**

#### **Condition:**

- 1) There was not adequate supporting documentation for all receipts including gate receipts and fund raisers.
- 2) There was no segregation of duties between the receipting, depositing and reconciling function.

#### **Criteria:**

- 1) Proper supporting documentation is necessary to ensure all monies collected are deposited.
- 2) Segregation of duties greatly improves safeguarding of assets.

#### **Effect:**

- 1 & 2) Internal control weaknesses which could present susceptibility to manipulation.

#### **Cause:**

- 1 & 2) Supporting documentation formats were not always used appropriately or did not include adequate tallies of sales and sufficiently segregate duties.

#### **Recommendation:**

- 1) We recommend the District implement procedures to document for all money collected for student activities such as gate receipts and fund raisers to ensure all monies collected are turned in for receipt and deposit.
- 2) We recommend the District segregate the duties of receipting, depositing, and reconciling to the greatest extent possible.

#### **Auditee Response:**

We now have a procedure in place for “Athletic Event Gate Receipts” that has been implemented. All fund raisers will also be tracked and include appropriate documentation.

We are working on procedures to bring more of the student activity account jobs to the District Office. We plan to change our student accounts software so that it is accessible by both schools and the district office. The accounting jobs will then be distributed to address segregation of duties.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Bigfork Public Schools  
Flathead County  
Bigfork, Montana

The prior audit report contained three recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Elementary Student Activity Receipting	Implemented
High School Student Activity Internal Controls	Repeated
Title I Highly Qualified Internal Control	Implemented

*Denning, Downey and Associates, CPA's, P.C.*

January 10, 2014