

BOX ELDER SCHOOL DISTRICT NO. 13 & G

**HILL COUNTY
BOX ELDER, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

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Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

ORGANIZATION

BOARD OF TRUSTEES

Mary Louise Rosette	Chair
Barbara Friede	Vice Chair
Tim "JR" Rosette	Trustee
Neal Rosette, Sr.	Trustee
Shane Sangrey	Trustee

OFFICIALS

Darin Hannum	Superintendent
Alvina Friede	District Clerk
Diane McLean	County Superintendent
Gina Dahl	County Attorney

**BOX ELDER SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014**

The Superintendent and Business Manager/Clerk of the Box Elder School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

FINANCIAL HIGHLIGHTS

There are a few Financial Highlights for the District: We finalized the Impact Aid Construction grant to get our roof repaired; Received a Quality Schools Grant for an emergency generator to help provide a quality education through major facility repairs, deferred maintenance and other improvements to school facilities.

USING THIS FINANCIAL REPORT

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

Reporting the School District as a Whole

The report includes district wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The statement of Net Position (pages 9) shows the “assets” (what is owned). “Liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” and “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The statement of Activities (pages 10) shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories:

Governmental Activities – The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Property (business-type) activities – The only changes in the property for the District since we built the fitness center in the elementary was building the two new classroom addition.

Component units – The school district is fiscally responsible for the operations of the school district’s special education program, with exception to the IDEA Part B ARRA Sub-grant money we receive from Bear Paw Cooperative, which pays the salary for one of the Special Education paraprofessionals.

Reporting the District’s Most Significant Funds

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

The fund statements report balances and activities of the most significant, or “major” funds separately and combined 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 district’s operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

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

The Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position, and Statement of Cash Flows are shown for proprietary (business-type) funds, covering district activities that generally provide services on a cost-recovery basis between various funds of the district, such as purchasing operations. Proprietary funds use the accrual basis of accounting.

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

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for: any trusts, endowments and the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 14) because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities			
	2014	2013	CHANGE	%
				CHANGE
Current Assets	\$ 3,082,005	\$ 3,114,382	\$ (32,377)	-1.04%
Capital Assets, net	<u>4,830,261</u>	<u>4,638,897</u>	<u>191,364</u>	<u>4.13%</u>
Total Assets	7,912,266	7,753,279	158,987	2.05%
Current Liabilities	134,867	96,366	38,501	39.95%
Long Term Liabilities	<u>1,027,754</u>	<u>712,806</u>	<u>314,948</u>	<u>44.18%</u>
Total Liabilities	1,162,621	809,172	353,449	43.68%
Net Position:				
Net Investment in				
Capital Assets	4,830,261	4,638,897	191,364	4.13%
Restricted	220,866	580,813	(359,947)	-61.97%
Unrestricted	<u>1,698,518</u>	<u>1,724,397</u>	<u>(25,879)</u>	<u>-1.50%</u>
Total Net Position	6,749,645	6,944,107	(194,462)	-2.80%

THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$6,724,018 as of June 30, 2014. Less than half the District's net position reflect its investment in capital assets.

The district's total Student Activity beginning balance was \$65,064.05; revenues for the fiscal year ended June 30, 2014 were \$62,998.87. The total cost of all Student Activities expenses was \$78,467.12; which was a difference of \$49,595.80 held in trust.

2 Changes in Net Position & General, Program Revenues

CHANGES IN NET POSITION	Governmental Activities			
	2014	2013	CHANGE	% CHANGE
Revenues				
Program Revenues:				
Charges for Services	2,000	2,400	(400)	-16.67%
Operating Grants	1,528,311	1,256,263	272,048	21.66%
Capital Grants	275,840	-	275,840	100.00%
General Revenues:				
District Levies	277,156	332,184	(55,028)	-16.57%
State Equalization	1,227,798	1,217,585	10,213	0.84%
Other State Revenues	1,074,635	1,185,501	(110,866)	-9.35%
County	415,721	487,967	(72,246)	-14.81%
Federal	1,962,301	2,482,111	(519,810)	-20.94%
Interest	1,432	1,766	(334)	-18.89%
Other	11,600	21,948	(10,348)	-47.15%
Total Revenues	6,776,794	6,987,725	(210,931)	-3.02%
Program Expenses				
Instructional Services	4,100,462	3,549,575	550,887	15.52%
Support Services	93,166	77,079	16,087	20.87%
Educational Media Services	73,407	74,223	(816)	-1.10%
General Administrative Services	600,556	780,646	(180,090)	-23.07%
Operation & Maintenance Services	1,128,757	998,585	130,172	13.04%
Transportation Services	432,451	375,697	56,754	15.11%
School Food Services	390,841	394,849	(4,008)	-1.02%
Extracurricular	143,572	135,717	7,855	5.79%
Other Current Charges	4,169	1,780	2,389	134.21%
Gain(Loss) on Asset	3,875	(676)	4,551	-673.22%
OPEB	=	336,543		
Total Expenses	6,971,257	6,724,018	583,782	8.68%
Change in Net Position	(194,463)	263,707	(794,713)	

#3 Spending Levels Compared to Resource Levels

	10-11	12-13	13-14
Expenditures Supported w/ General Revenues (from taxes & other sources for general school use) (General Funds)	36%	36%	36%
Expenditures Supported with program Revenues (Impact Aides and Misc. Grant Revenues)	52%	52%	52%
Expenditures from other Sources of Revenue (Transportation, Bus Dep, School Food, Retirement, Adult Ed, Rental Fund, Technology & Flex Funds)	12%	12%	12%
Total Expenditures Related to Governmental Act.	100%	100%	100%

#4 Changes in Finances Caused by Changes in Programs

The grant money decreased a little from prior year revenue due to Impact Aid.

#5 Identifying and Resolving Financial Difficulties

The lack of support and funding from the state and federal level to support education.

#6 Significant Events and Trends

Due to the unsure nature of Impact Aid funds the administration and board laid off some classified staff to build up the reserve for future use but 70% of the employees were reinstated for the 2014-2015 school year.

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the school 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. Historical information from one or more prior years is shown to illustrate trends, problems, and achievement of the district's goals.

1. What Does the School Do?

The Box Elder School District is committed to giving the students the best education needed to pursue a higher education, by having less than 24 students in K- 8 classrooms. This is so each student will have a chance to have more of a one on one time to learn what is needed.

2. Where Do the Resources Come From?

We get most of our revenue from the Impact Aid programs, which is approximately 39% of the total revenues for the district. The other revenues we get are approximately 16% for federal and stated grants (misc. funds).

3. What does it Cost?

The major expenditure for the district is the cost of salaries that pay for 80 employees we have to teach our students. We also try to keep up with the changing technology and books needed to give our students the best education needed.

4. What are the Capital Assets and Debt of the District?

The total net Capital Assets (fixed assets) are \$8,306,049 less accumulated depreciation of (\$3,475,789) which leaves us with \$4,830,260 total Capital Assets for the year. The long-term debt includes compensated absence for staff which is \$161,676 for FY 14.

Land	7000
Land Improvements	52,850
Building & Improvements	6,026,091
Machinery & Equipment	2,220,108
Construction in Progress	0.00
Total	8,306,049
Total Depreciation	(3,475,789)
Net Asset Total	4,830,260

5. Fund Deficits?

The only fund that usually has a fund deficit is our School Food fund, because our Impact Aid fund has to compensate for the extra expenditures to feed our children.

6. What Changes and Trends Affect the District's Future?

The lack of support and funding from the state and federal level to support education.

CONTACT FOR FURTHER INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Superintendent of Schools or Business Manager, at the Box Elder School District, PO Box 205, Box Elder, Montana 59521.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

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 Box Elder School District No. 13 & G as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Box Elder School District No. 13 & G as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 29) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Box Elder School District No. 13 & G's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 30) and schedule of reported enrollment (page 31) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (pages 32 - 33) 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 basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds, schedule of reported enrollment, and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances student activity funds, schedule of reported enrollment, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of Box Elder School District No. 13 & G 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 Box Elder School District No. 13 & G internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
February 12, 2015

STATEMENT OF NET POSITION
as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,970,729
Taxes Receivable	5,409
Due From Other Governments	<u>105,867</u>
Total Current Assets	<u>3,082,005</u>
Noncurrent Assets:	
Capital Assets:	
Land	7,000
Net Depreciable Assets	<u>4,823,260</u>
Total Noncurrent Assets	<u>4,830,260</u>
Total Assets	<u>\$ 7,912,265</u>
LIABILITIES:	
Current Liabilities	
Cash Overdraft	\$ 116,131
Current Portions Compensated Absences	<u>18,736</u>
Total Current Liabilities	<u>134,867</u>
Noncurrent Liabilities:	
Long-Term Obligations	884,814
Compensated Absences	<u>142,940</u>
Total Noncurrent Liabilities	<u>1,027,754</u>
Total Liabilities	<u>1,162,621</u>
NET POSITION:	
Net investment in capital assets	4,830,260
Restricted	220,866
Unrestricted (Deficit)	<u>1,698,518</u>
Total Net Position	6,749,644
Total Liabilities and Net Position	<u>\$ 7,912,265</u>

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
					Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENT OPERATIONS					
Instructional Services	\$ 4,100,462	\$ -	\$ 916,597	\$ -	\$ (3,183,865)
Support Services	93,166	-	-	-	(93,166)
Educational Media Services	73,407	-	-	-	(73,407)
General Administrative Services	600,556	-	-	-	(600,556)
Operation & Maintenance Services	1,128,757	2,000	392,477	275,840	(458,440)
Transportation Services	432,451	-	-	-	(432,451)
School Food Services	390,841	-	219,237	-	(171,605)
Extracurricular	143,572	-	-	-	(143,572)
Other Current Charges	4,169	-	-	-	(4,169)
Total Governmental Activities	<u>6,967,382</u>	<u>2,000</u>	<u>1,528,311</u>	<u>275,840</u>	<u>(5,161,232)</u>
GENERAL REVENUES					
District Levies					277,156
State Equalization					1,227,798
Other State Revenues					1,074,635
County					415,721
Federal					1,962,301
Interest					1,432
Other					11,600
Gain loss on Sale of Assets					<u>(3,875)</u>
Total General Revenues					<u>4,966,768</u>
Change in Net Position					(194,463)
Net Position					
Beginning of the Year					<u>6,944,107</u>
End of the Year					<u>\$ 6,749,644</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2014

	MAJOR				
	General	Miscellaneous Programs (Elem.)	Retirement (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 2,777,889	\$ -	\$ -	\$ 192,841	\$ 2,970,729
Taxes Receivable	1,216	-	-	4,193	5,409
Due From Other Governments	-	105,867	-	-	105,867
Total Assets	\$ 2,779,105	\$ 105,867	\$ -	\$ 197,034	\$ 3,082,005
LIABILITIES:					
Current Liabilities					
Cash Overdraft	-	82,417	31,272	2,441	116,131
Total Liabilities	-	82,417	31,272	2,441	116,131
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	1,216	-	-	4,193	5,409
Total Deferred Inflows of resources	1,216	-	-	4,193	5,409
FUND BALANCE:					
Fund Balances:					
Restricted	-	23,449	-	192,841	216,290
Unassigned:	2,777,889	-	(31,272)	(2,441)	2,744,175
Total Fund Balance	2,777,889	23,449	(31,272)	190,399	2,960,465
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,779,105	\$ 105,867	\$ -	\$ 197,034	\$ 3,082,005

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 2,960,465
Governmental Capital Assets	4,830,260
Long-term Liabilities	
Long-Term Obligations	(884,814)
Compensated Absences	(161,676)
Unavailable Property Taxes Receivable	5,409
Net Position of Governmental Activities	\$ 6,749,644

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

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

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Retirement (HS)		
REVENUES:					
District Levies	\$ 62,174	\$ -	\$ -	\$ 215,118	\$ 277,292
Interest	1,311	-	-	121	1,432
Charges for Services	-	-	-	2,000	2,000
Other	1,600	10,000	-	-	11,600
County	-	-	140,902	337,081	477,983
State	2,378,286	450,093	-	80,986	2,909,365
Federal	1,962,301	900,292	-	234,665	3,097,257
Total Revenues	4,405,672	1,360,385	140,902	869,971	6,776,930
EXPENDITURES:					
Current					
Instructional Services	2,469,033	817,056	79,748	304,988	3,670,826
Support Services	77,878	-	6,407	5,831	90,115
Educational Media Services	64,013	-	4,553	4,841	73,407
General Administrative Services	527,516	-	9,973	49,772	587,261
Operation & Maintenance Services	712,758	314,702	18,498	13,308	1,059,265
Transportation Services	28,807	-	11,824	312,370	353,001
School Food Services	154,776	-	3,718	230,194	388,687
Extracurricular	107,584	-	6,181	4,713	118,478
Other Current Charges	-	-	-	4,169	4,169
Capital Outlay	-	233,428	-	301,950	535,378
Total Expenditures	4,142,366	1,365,185	140,902	1,232,135	6,880,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	263,306	(4,800)	-	(362,164)	(103,658)
OTHER FINANCING SOURCES/USES					
Sale of Capital Assets	26,000	-	-	-	26,000
Fund Transfers In	-	-	-	81,835	81,835
Fund Transfers (Out)	-	-	-	(81,835)	(81,835)
Total Other financial Sources/Uses	26,000	-	-	-	26,000
NET CHANGES IN FUND BALANCES	289,306	(4,800)	-	(362,164)	(77,658)
FUND BALANCE:					
Beginning of the Year	2,488,582	28,250	(31,272)	552,564	3,038,123
End of the Year	\$ 2,777,889	\$ 23,449	\$ (31,272)	\$ 190,399	\$ 2,960,465

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

Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

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

Net Changes in Fund Balance		\$	(77,658)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(136)
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Sale of Fixed Assets			(26,000)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(314,140)		
(Increase) decrease in Other Post Employment Benefits	(336,543)		
Gain loss on sale of assets	(3,875)		
(Increase) decrease in compensated absence liability	<u>28,511</u>	(626,047)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays		<u>535,378</u>	
Change in net position reported on the Statement of Activity		\$	<u>(194,463)</u>

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

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

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 49,596	\$ 229,919
Total Assets	<u>49,596</u>	<u>229,919</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	229,919
Total Liabilities	<u>-</u>	<u>229,919</u>
NET POSITION:		
Restricted for Student Activities	49,596	
Total Net Position	<u>\$ 49,596</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 62,999
Total Additions	<u>62,999</u>
DEDUCTIONS:	
Expenses of Student Activities	78,467
Total Deductions	<u>78,467</u>
CHANGE IN NET POSITION	(15,468)
NET POSITION:	
Beginning of the Year	65,064
End of the Year	<u>\$ 49,596</u>

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. a. REPORTING ENTITY

The basic financial statements of Box Elder School District No. 13 & G (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

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

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

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

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

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

I. b. BASIS OF PRESENTATION AND ACCOUNTING

I. b. 1 GOVERNMENT-WIDE STATEMENTS

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

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

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

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

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

1. b. 2 FUND ACCOUNTING

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

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

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

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

The School District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the elementary and high school impact aid funds since the restrictions on those funds are similar to the general fund.

- Elementary Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- High School Retirement Fund – This fund is used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.

1. b. 3 OTHER FUND TYPES

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

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

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

1. c. 1 CASH AND INVESTMENTS

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

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Hill County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

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

1. c. 3 INVENTORIES

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	15 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified employees will be awarded four (4) personal leave days annually and may accumulated to a maximum of fifteen (15) days. Certified employees receive, ten (10) days sick leave per year and at the beginning of the fourth year twelve (12) days sick leave per year. The maximum accumulated sick leave shall be limited to 90 days at the close of the school year. Unused personal leave and sick leave shall be paid for at the rate of 100% of the current substitute pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$18,736 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 18,210
Operations and Maintenance	2,888
Student Transportation	139,418
School Food	18,515
Third Party Grantor Restrictions	23,449
Employer Retirement Benefits	13,400
Future Technology	410
Total	<u>\$ 216,290</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

1.d. 2 County Provided Services

The School District is provided various financial services by Hill County. The County also serves as cashier and treasurer for the School 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 School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the County Treasurer. No service charges have been recorded by the School District or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,970,729	\$ 279,515	\$ 3,250,244
Cash Overdraft	(116,131)	-	(116,131)
Total	<u>\$ 2,854,598</u>	<u>\$ 279,515</u>	<u>\$ 3,134,113</u>

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

	<u>Amount</u>
Cash on Hand	\$ 1,000
Demand Accounts	49,596
County Investment Pool	3,083,517
Total	<u>\$ 3,134,113</u>

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

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

The cash of the extracurricular funds is held separately by the School District, not at the Hill County. As of June 30, 2014, the bank balance of the extracurricular fund was covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$1,021,982 for the Elementary School District and the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and High School Districts follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes</u>	
		<u>Receivable</u>	
General*	42.47	\$	833
Transportation	53.15		1,040
Bus Depreciation	54.15		1,060
Tuition	.39		9
Adult Education	.49		12
<u>High School Fund</u>			
General*	19.10		383
Transportation	50.68		998
Bus Depreciation	54.15		1,061
Adult Education	0		9
Tuition	0		4
Total	<u>274.58</u>	\$	<u>5,409</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous*	\$ 42,619	State of MT	Title I Part A
Miscellaneous*	52,853	State of MT	Gear Up
Miscellaneous*	10,231	Chippewa Cree Tribe	JOM
Miscellaneous*	163	State of MT	Medicaid
Total	<u>\$ 105,866</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	<u>\$ 7,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,000</u>
<u>Depreciable:</u>					
Land Improvements	\$ 52,850	\$ 0	\$ 0	0	\$ 52,850
Buildings	6,026,091	0	0	0	6,026,091
Major Equipment	1,804,230	535,378	119,500	0	2,220,108
Total Depreciable	<u>\$ 7,883,171</u>	<u>\$ 535,378</u>	<u>\$ 119,500</u>	<u>\$ 0</u>	<u>\$ 8,299,049</u>

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Accumulated Depreciation:</u>					
Land Improvements	\$ (18,498)	\$ (2,643)	\$ 0	\$ 0	\$ (21,141)
Buildings	(1,917,652)	(136,623)	0	0	(2,054,275)
Major Equipment	(1,315,124)	(174,874)	(89,625)	0	(1,400,373)
Total Depreciation	<u>\$ (3,251,274)</u>	<u>\$ (314,140)</u>	<u>\$ (89,625)</u>	<u>\$ 0</u>	<u>\$ (3,475,789)</u>
Net Depreciable Assets	<u>4,631,897</u>	<u>221,238</u>	<u>29,875</u>	<u>0</u>	<u>4,823,260</u>
Net Governmental Capital Assets	<u>\$ 4,638,897</u>	<u>\$ 221,238</u>	<u>\$ 29,875</u>	<u>\$ 0</u>	<u>\$ 4,830,260</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 115,932
Operation & Maintenance	70,463
Transportation	94,146
School Food	8,505
Extracurricular	25,094
Total Depreciation Expense	<u>\$ 314,140</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 190,188	\$ 0	\$ 28,512	\$ 161,676	\$ 18,736
Other Post-Employment Benefits (OPEB)	<u>548,271</u>	<u>336,543</u>	<u>0</u>	<u>884,814</u>	<u>0</u>
Total Governmental Activities - Long-Term Debt	<u>\$ 738,459</u>	<u>\$ 336,543</u>	<u>\$ 28,512</u>	<u>\$ 1,046,490</u>	<u>\$ 18,736</u>

NOTE 7. DEFICIT FUND BALANCES

<u>High School Fund</u>	<u>Amount</u>	<u>How to Correct</u>
Retirement *	\$ (31,272)	Transferred cash from impact aid fund in subsequent year.
Miscellaneous	<u>(2,441)</u>	Cover with impact aid funds.
Total	<u>\$ (33,713)</u>	

* Denotes Major Funds

NOTE 8. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Bus Depreciation	\$ 48,335	Building Reserve – Security transfer
<u>High School Fund - From</u>		<u>Elementary Fund – To</u>
Bus Depreciation	<u>33,500</u>	Building Reserve – Security transfer
Total	<u>\$ 81,335</u>	

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 833	Taxes Receivable
Transportation	1,040	Taxes Receivable
Bus Depreciation	1,060	Taxes Receivable
Tuition	9	Taxes Receivable
Adult Education	12	Taxes Receivable
<u>High School Fund</u>		
General*	383	Taxes Receivable
Transportation	998	Taxes Receivable
Bus Depreciation	1,061	Taxes Receivable
Tuition	4	Taxes Receivable
Adult Education	9	Taxes Receivable
Total	<u>\$ 5,409</u>	

* Denotes Major Funds

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$6,949 per member and \$13,836 per member and spouse. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 45% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,158,704
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>2,158,704</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,433,316
UAAL as a percentage of covered payroll	89%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012

Annual Required Contribution (ARC)	\$ 336,543
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	336,543
Contribution made	<u>0</u>
Increase in net OPEB obligation	336,543
Net OPEB obligation - beginning of year	<u>548,281</u>
Net OPEB obligation - end of year	<u>\$ 884,824</u>

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

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

Actuarial Cost Method		Unit Credit Cost Method
Average age of retirement (based on historical data)		62
Discount rate (average anticipated rate)		.17%
Average Salary Increase		3.0%
Health care cost rate trend		
Year	% Increase	
2015 and after	6.0%-6.09%	

NOTE 11. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums assessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages. Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 538,578	\$ 432,839	\$ 473,601
PERS	121,705	120,255	130,292
Total	<u>\$ 660,283</u>	<u>\$ 553,094</u>	<u>\$ 603,893</u>

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Box Elder School District No. 13 & G is a member of the Bear Paw Special Education Coop., a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Box Elder School District No. 13 & G, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Blaine County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>\$ 0</u>	<u>\$ 2,158,704</u>	<u>\$ 2,158,704</u>	<u>\$ 0</u>	<u>\$ 2,433,316</u>	<u>89%</u>

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

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

	General (Elem)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 43,441	\$ 43,441	\$ 42,819	\$ 19,568	\$ 19,568	\$ 19,355
Interest	103	103	43	111	111	21
Other	8,330	8,330	-	3,225	3,225	-
County	-	-	-	-	-	-
State	1,664,670	1,664,670	1,664,698	713,572	713,572	713,588
Total Revenues	<u>1,716,544</u>	<u>1,716,544</u>	<u>1,707,560</u>	<u>736,476</u>	<u>736,476</u>	<u>732,964</u>
EXPENDITURES:						
Current						
Instructional Services			1,289,785			372,525
Support Services			39,216			38,617
Educational Media Services			29,587			29,187
General Administrative Services			269,648			117,984
Operation & Maintenance Services			41,411			172,527
Transportation Services			23			3,101
Retirement & Insurance Services			-			-
School Food Services			69,582			23,468
Extracurricular			13,959			44,119
Total Expenditures	<u>1,753,211</u>	<u>1,753,211</u>	<u>1,753,211</u>	<u>801,527</u>	<u>801,527</u>	<u>801,527</u>
NET CHANGES IN FUND BALANCES	<u>(36,667)</u>	<u>(36,667)</u>	<u>(45,651)</u>	<u>(65,051)</u>	<u>(65,051)</u>	<u>(68,563)</u>
FUND BALANCE:						
Beginning of the Year			212,088			145,581
End of the Year			<u>\$ 166,437</u>			<u>\$ 77,018</u>

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

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

	Retirement (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	-
Other	-	-	-
County	140,902	140,902	140,902
State	-	-	-
Total Revenues	<u>140,902</u>	<u>140,902</u>	<u>140,902</u>
EXPENDITURES:			
Current			
Instructional Services	79,748	79,748	79,748
Support Services	6,407	6,407	6,407
Educational Media Services	4,553	4,553	4,553
General Administrative Services	9,973	9,973	9,973
Operation & Maintenance Services	18,498	18,498	18,498
Transportation Services	11,824	11,824	11,824
Retirement & Insurance Services	3,718	3,718	3,718
School Food Services	6,181	6,181	6,181
Extracurricular	-	-	-
Total Expenditures	<u>140,902</u>	<u>140,902</u>	<u>140,902</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:			
Beginning of the Year	-	-	(31,272)
End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,272)</u>

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds elementary and high school impact aid are non-budgeted funds.

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

The District approved a budget amendment due to unanticipated retirement expenditures under the provisions of 20-9-161(6), MCA for the elementary retirement fund. The budget amendment was for \$49,701 and retirement fund reserves will provided the additional funds.

BOX ELDER SCHOOL DISTRICT NO. 13 & G

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS
Fiscal Year-Ended June 30, 2014

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (Elem)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Impact Aid Fund (EL)</u>	<u>Sub-fund Impact Aid Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:					
District Levies	\$ 42,819	\$ 19,355	\$ 0	\$ 0	\$ 62,174
Interest Earnings	43	21	812	434	1,310
Other				1,600	1,600
County					
State Sources	1,664,698	713,588	0	0	2,378,286
Federal			1,572,196	390,105	1,962,301
Charge For Services					
Total Revenues	<u>\$ 1,707,560</u>	<u>\$ 732,964</u>	<u>\$ 1,573,008</u>	<u>\$ 392,139</u>	<u>\$ 4,405,672</u>
EXPENDITURES:					
Instructional Services	1,289,784	372,525	621,630	185,094	2,469,033
Support Services	39,217	38,616	45	0	77,878
Educational Media	29,587	29,187	3,747	1,492	64,013
General Administrative	269,648	117,984	119,838	20,046	527,516
Operation & Maintenance	41,411	172,527	334,170	164,650	712,758
Transportation	23	3,101	25,182	500	28,807
Extracurricular	13,959	44,119	23,646	25,861	107,585
School Food	69,582	23,468	54,444	7,282	154,776
Total Expenditures	<u>\$ 1,753,211</u>	<u>\$ 801,527</u>	<u>\$ 1,182,702</u>	<u>\$ 404,925</u>	<u>\$ 4,142,366</u>
Excess (Deficiency) of Revenue Over Expenditures	(45,651)	(68,563)	390,306	(12,786)	263,306
Sale of Capital Assets	0	0	26,000	0	26,000
Net Changes In Fund Balance	(45,651)	(68,563)	416,306	(12,786)	289,306
FUND BALANCE:					
Beginning of the Year	<u>212,088</u>	<u>145,581</u>	<u>1,330,792</u>	<u>800,122</u>	<u>2,488,582</u>
Ending of the Year	<u>\$ 166,437</u>	<u>\$ 77,018</u>	<u>\$ 1,747,098</u>	<u>\$ 787,336</u>	<u>\$ 2,777,889</u>

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

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

BOX ELDER SCHOOL DISTRICT NO. 13 & G

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance</u>
	<u>7/1/2013</u>				<u>6/30/2014</u>
ATHLETICS	\$ 18,553	\$ 35,465	\$ 47,434	\$ 3,671	\$ 10,255
ELEMENTARY	1,212	-	-	-	1,212
STUDENT COUNCIL	9,082	477	3,031	-	6,528
CLASS OF 2017	665	239	-	-	904
CLASS OF 2014	818	501	3,260	-	(1,942)
CLOSE UP	1,192	-	-	-	1,192
CLASS OF 2015	3,823	611	-	-	4,434
CLASS OF 2016	207	45	-	-	252
FHA	220	-	-	(220)	-
ANNUAL	510	100	-	-	610
CONCESSIONS	6,459	17,534	12,661	-	11,332
SPANISH CLUB	461	-	-	(461)	-
NAT'L HONOR SOCIETY	59	-	-	-	59
WAAC	7,468	1,365	6,901	-	1,932
CLASS OF 2013	2,990	-	-	(2,990)	-
CLASS OF 2018	135	-	-	-	135
PAC	1,017	-	-	-	1,017
ACTIVITIES ACCOUNT	5,802	2,695	1,333	-	7,164
INDIAN CLUB	1,510	-	526	-	983
HI LINE SCIENCE FAIR	2,351	2,400	2,821	-	1,930
MEDIA PUBLICATIONS	531	-	-	-	531
CLASS OF 2019	-	154	-	-	154
CLASS OF 2020	-	505	-	-	505
PEP CLUB	-	936	500	-	436
Total	<u>\$ 65,064</u>	<u>\$ 63,025</u>	<u>\$ 78,467</u>	<u>\$ -</u>	<u>\$ 49,622</u>

BOX ELDER SCHOOL DISTRICT NO. 13 & G

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	39	39	0
Grade 1 - 6	195	195	0
Grade 7 - 8	<u>53</u>	<u>53</u>	<u>0</u>
Total	<u>287</u>	<u>287</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>101</u>	<u>101</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	38	38	0
Grade 1 - 6	198	198	0
Grade 7 - 8	<u>50</u>	<u>50</u>	<u>0</u>
Total	<u>286</u>	<u>286</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>104</u>	<u>104</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	40	40	0
Grade 1 - 6	196	196	0
Grade 7 - 8	<u>50</u>	<u>50</u>	<u>0</u>
Total	<u>286</u>	<u>286</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>101</u>	<u>101</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	\$ 9,382	9,382
National School Lunch Program (fn1)	10.555	N/A	\$ 219,237	219,237
Total U.S. Department of Agriculture				<u>\$ 228,619</u>
U.S. DEPARTMENT OF INTERIOR				
PASSED THROUGH CHIPPEWA CREE TRIBE:				
Indian Education Assistance to Schools (Johnson O'Malley)	15.130	21-0425-JOM	\$ 23,023	<u>\$ 23,023</u>
Total U.S. Department of Interior				<u>\$ 23,023</u>
U.S. DEPARTMENT OF EDUCATION				
DIRECT:				
Indian Education Grants to Local Educational Agencies	84.060	S060A140574	\$ 90,875	90,875
Impact Aid	84.041	S041B	N/A	1,587,627
Impact Aid (Construction)	84.041	S041C	N/A	280,091
Rural Education (Title VI Part B)	84.358	S358A140827	\$ 20,740	20,740
Rural Education (Title VI Part B)	84.358	S358A140832	\$ 15,428	15,428
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Title I Grants to Local Education Agencies				
- Part A, Improving Basic Programs	84.010	21-0425-ESEA-TI	\$ 354,282	354,282
Twenty-First Century Community Learning Centers	84.287	21-0425-17-14	\$ 50,000	50,000
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	21-0425-OTHER-GU	\$ 113,647	80,996
Total U.S. Department of Education				<u>\$ 2,480,039</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Temporary Assistance for Needy Families (TANF)	93.558	1302MOST0223	\$ 5,000	<u>\$ 5,000</u>
Total U.S. Department of Interior				<u>\$ 5,000</u>
Total Federal Financial Assistance				<u><u>\$ 2,736,681</u></u>

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule

BOX ELDER SCHOOL DISTRICT NO. 13 & G

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Box Elder School District No. 13 & G under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Box Elder School District No. 13 & G, it is not intended to and does not present the financial position, changes in net assets or cash flows of Box Elder School District No. 13 & G.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as used in the governmental financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the School District assumes first in first out for program money.
Fn2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements
N/A – Not applicable/ available

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Box Elder School District No. 13 & G as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Box Elder School District No. 13 & G's basic financial statements and have issued our report thereon dated February 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Box Elder School District No. 13 & G's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 2014 -001 and 2014 -002.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Box Elder School District No. 13 & G's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Box Elder School District No. 13 & G's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



STROM & ASSOCIATES, PC
Billings, Montana
February 12, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Box Elder School District No. 13 & G
Hill County
Box Elder, Montana 59521

Report on Compliance for Each Major Federal Program

We have audited Box Elder School District No. 13 & G's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Box Elder School District No. 13 & G's major federal programs for the year ended June 30, 2014. Box Elder School District No. 13 & G'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 Box Elder School District No. 13 & G'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 Box Elder School District No. 13 & G'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 Box Elder School District No. 13 & G's compliance.

Opinion on Each Major Federal Program

In our opinion, Box Elder School District No. 13 & G's, 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, 2014

Report on Internal Control Over Compliance

Management of Box Elder School District No. 13 & G, 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 of compliance, we considered Box Elder School District No. 13 & G'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 the 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 Box Elder School District No. 13 & G'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, non-compliance 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.

Purpose of this Report

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.



STROM & ASSOCIATES, PC
Billings, Montana
February 12, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 13 & G's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed 2 significant deficiencies in internal controls and 2 that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 13 & G.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 13 & G's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Box Elder School District No. 13 & G for the year ended June 30, 2012 was

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies
84.041 & 84.041C	Impact Aid & Impact Aid Construction

8. The threshold used to distinguish between Type A and type B programs was \$300,000. Box Elder School District No. 13 & G has Title I Grants to Local Education Agencies and the Impact Aid Cluster as a Type A programs.
9. This School District does not qualify as a low risk audit client.

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

Finding Number 1 – Revenues 2013 (repeat fiscal year 2012)

Not repeated

Finding Number 2014 - 001 – Student Activities:

Criteria: Proper internal control over Student Activities accounts requires a bank reconciliation be performed on a monthly basis. Condition: The monthly bank reconciliation of the student activity accounts was not in balance at June 30, 2014. Effect: The effect is the possibility of errors and irregularities occurring with Student Activities cash. Context: The bank balance is different from the activity accounts by \$874. The student activity accounts ending balance is different from what was reported on the Trustees Financial Summary (TFS) by \$2,963. Cause: This was caused by not using the computer accounting program the district has to keep an accurate record of student activity transactions. Recommendation: We recommend using the computer software the district has to keep track of the Student Activities accounts. Auditee response: The District has already received the computer software and balancing on a monthly basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Finding Number 2014 - 002 – Payroll:

Criteria: Proper internal controls over payroll require employee pay equals district contracts or timecards. Condition: On multiple occasions an employee received extra paychecks. Effect: The effect is the possibility of errors and irregularities occurring with payroll expense and district cash. Context: In fiscal year 2014, W-2 wages exceeded signed contracts by approximately \$3,895. Cause: Lack of proper internal control over payroll check approval. Recommendation: We recommend the district properly review payroll checks each pay period. Auditee response: The District will review payroll checks in the future. Also the person that was making the payroll checks is no longer employed with the district.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133 in the prior audit report or for the fiscal year ended June 30, 2014.