

CULBERTSON SCHOOL DISTRICTS

NUMBER 17 AND 17C

ROOSEVELT COUNTY

CULBERTSON, MONTANA

FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED JUNE 30, 2014

SIDNEY TAX SERVICE, INCORPORATED

SIDNEY, MT

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
ROOSEVELT COUNTY
CULBERTSON, MONTANA
TABLE OF CONTENT
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS	<u>PAGE</u>
ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS	2
INDEPENDENT AUDITOR’S REPORT	3-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances To the Statement of Activities	20
Statement of Fiduciary Net position and Changes in Fiduciary Net position	21
Notes to the Basic Financial Statements	22-35
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	37
Notes to the Required Supplementary Information	38
 SUPPLEMENTARY INFORMATION	
Enrollment Reporting	40
Extracurricular Fund – Schedule of Cash Receipts, Disbursements, and Changes In Fund Balance by Student Activity	41
Miscellaneous Supplementary Information	42
 OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	43-44
 INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	45-46
 REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	47-48
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	49-51
 AUDITEE RESPONSE TO FINDINGS	52

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
ROOSEVELT COUNTY
CULBERTSON, MONTANA
TABLE OF CONTENTS
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2014

BOARD OF TRUSTEES

Paul Finnicum	Chairperson
Ron Larsen	Vice- Chairperson
Cheryl Kirkaldie	Trustee
Gy Salvevold	Trustee
Amanda Cullinan	Trustee

OFFICIALS

Larry Crowder	District Superintendent
Lora Finnicum	District Clerk

SIDNEY TAX SERVICE, INC

Valli Hauge, CPA & Douglas McCormick

115 2ND ST NE SIDNEY, MT 59270

Phone (406)-433-3131 FAX (406)-433-1219

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Culbertson School Districts Number 17 and 17C
Roosevelt County
Culbertson, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements; which collectively comprise Culbertson School Districts Number 17 and 17C'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 American 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 judgement, including the assessment of the risks of material misstatements 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 estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Culbertson School Districts 17 and 17C, Roosevelt County, Montana, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows 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 and budgetary comparison information on pages 5 through 13 and 37 through 38, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements 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 no provide us with sufficient evidence to express and opinion or provide any assurance.

Other Informaiton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana's basic financial statements. The enrollment and extracurricular schedules on pages 40 and 41 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 43 and 44 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 enrollment and extracurricular schedules 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The organization chart on page 2 and the statistical information on page 42 have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2015 on our consideration of the Culbertson School Districts Number 17 and 17C 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 the Culbertson School Districts internal control over financial reporting and compliance.

Sidney Tax Service, Inc.
Sidney, Montana
April 16, 2015

**CULBERTSON SCHOOL DISTRICT NO. 17 C/R/J
ROOSEVELT COUNTY
CULBERTSON, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

~ Unaudited ~

June 30, 2014

The Governmental Accounting Standards Board issued an accounting standards statement in June 1999 that completely revised the financial statements that local governments are required to present under U.S. generally accepted accounting principles. This Management's Discussion and Analysis provides an overview of the District's financial position and activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

The financial stability of the District and its governing School Board continues to grow. Overall revenues have increased by 24.9 percent from \$4,210,560 to \$5,257,868, due to increased oil revenues. Overall net expenditures (less program revenues) have increased by 0.9 percent from \$3,231,701 to \$3,261,856, due to increases in spending.

The taxable value of the District increased from \$6,922,102 to \$7,403,343 in the elementary and from \$5,896,039 to \$6,213,954 in the high school, due to increased valuations of industrial businesses in our county. The total district mill levies for 2013-14 decreased from 145.37 to 127.55, a 12.3 percent decrease, due to increased fund balances and cash available.

Net positions also known as net assets have experienced a 23.6 percent growth due to additional oil and gas revenues. Overall fund balances have grown by 70.4 percent due mainly to the increased oil and gas revenues.

USING THIS FINANCIAL REPORT

This financial report consists of financial statements for the District as a whole with more detailed information for the District’s major funds. Fund financial statements present a short-term view of the District’s activities (including only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

An important question to be asked is, “Is the District better or worse off as a result of the year’s activities?” The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net positions (the difference between total assets and total liabilities) over time is one indicator of whether the District’s financial health is improving or deteriorating. However, other non-financial factors should be considered in assessing the District’s overall health, such as changes in legislative mandates, changes in enrollment, changes in the State’s funding of educational costs, changes in the economy, changes in the District’s tax

	2014	2013	Change	%
Current Assets	\$ 2,707,450	\$ 1,642,380	\$ 1,065,070	64.8%
Capital Assets - net	\$ 6,942,484	\$ 5,985,533	\$ 956,951	16.0%
Total Liabilities	\$ (1,418,459)	\$ (966,100)	\$ (452,359)	46.8%
Net Positions	\$ 8,231,475	\$ 6,661,813	\$ 1,569,662	23.6%
Net Positions Include:				
Invested Capital	\$ 5,643,006	\$ 5,144,366	\$ 498,640	9.7%
Unrestricted and Restricted Assets	\$ 2,588,469	\$ 1,517,447	\$ 1,071,022	70.6%
Total Net Positions	\$ 8,231,475	\$ 6,661,813	\$ 1,569,662	23.6%

base, etc. Changes in the District's net positions were as follows:

Current assets, i.e. cash and investments, increased significantly by 64.8 percent due to the additional revenues received in oil and gas. Capital assets experienced an increase of 16.0 percent due to additional building improvements and the purchase of two activity busses.

Land improvements consisted of adding a west parking lot (\$31,879) and a high-jump pad (\$45,963). Building improvements consisted of boiler tube replacements (\$15,610), locker room upgrades (\$104,915), gym doors replacements (\$26,986), as well as building additions on the north end for a PE/Health facility (\$474,797), and the south end for additional classrooms (\$22,686). Equipment added consisted of two activity busses on lease agreements (\$420,392) and deletions were copier (\$12,048) and a floor scrubber (\$5,690). Accumulated depreciation increased from \$2,465,834 to \$2,634,372, a 6.8 percent growth, due to the addition of building projects over the last few years.

Total liabilities have dramatically increased by 46.8 percent, due to additions of lease payments for the activity busses, from \$966,100 to \$1,418,459. Due to the increases in oil revenues and building projects, net positions, i.e. cash, land, buildings, equipment, minus accumulated depreciation, experienced a 23.6 percent growth.

District revenues are divided into two categories: program revenues and general revenues. Program revenues include fees for services and monies that are restricted to a particular program. Revenues that are not classified to a particular program are considered general revenues. Changes in the District's revenues were as noted below:

Overall program revenues increased by \$13,126, due to the additions in school food and a donation from Sheridan Electric, an overall 3.4 percent growth. Carl Perkins experienced a decrease of \$176, from \$2,981 to \$2,805. The Title VII Indian Education grant grew from \$14,572 to \$18,676 due to increases in federal government appropriations. The Parent Advisory Committee was given autonomy over the JOM funding, however no new grant monies were received for 2014.

The additional number of breakfast meals served increased by 21.0 percent and the number of lunch meals served increased by 6.0 percent, leading to a growth in school food revenues. Daily food sales grew by 6.1 percent from \$34,150 to \$36,220 due to additional meals. Federal food reimbursements increased by 15.9 percent from \$59,968 to \$69,476, also due to the increased numbers of meals served. Fewer eligible reduced and more eligible free families were accepted on the Free & Reduced School Meal Applications which also contributed to the increased federal food reimbursements.

The Rural Education Initiative from the U.S. Department of Education offered Culbertson Schools with a Small Rural Schools grant. Due to federal government appropriations, funds were decreased by \$2,682 from \$29,370 to \$26,688.

	2014	2013	Change	%
PROGRAM Revenues:				
Federal:				
Carl Perkins	\$ 2,805	\$ 2,981	\$ (176)	-5.9%
Vocational	\$ 13,073	\$ 17,058	\$ (3,985)	-23.4%
Indian Education	\$ 18,676	\$ 14,572	\$ 4,104	28.2%
JOM	\$ -	\$ -	\$ -	N/A
School Food	\$ 69,476	\$ 59,968	\$ 9,508	15.9%
Small Rural Schools	\$ 26,688	\$ 29,370	\$ (2,682)	-9.1%
Title Programs	\$ 78,950	\$ 78,633	\$ 317	0.4%
State Revenues	\$ 63,256	\$ 72,776	\$ (9,520)	-13.1%
County Transportation	\$ 71,956	\$ 78,596	\$ (6,640)	-8.4%
Sale of Meals	\$ 36,220	\$ 34,150	\$ 2,070	6.1%
Drivers Education Reimb	\$ 778	\$ 1,222	\$ (444)	-36.3%
Other Program	\$ 20,574	\$ -	\$ 20,574	N/A
TOTAL PROGRAM:	\$ 402,452	\$ 389,326	\$ 13,126	3.4%
GENERAL Revenues:				
District Property Taxes	\$ 858,749	\$ 944,154	\$ (85,405)	-9.0%
County Equalization	\$ 247,742	\$ 261,326	\$ (13,584)	-5.2%
State Equalization	\$ 913,913	\$ 857,899	\$ 56,014	6.5%
State Oil & Gas	\$ 2,145,615	\$ 904,051	\$ 1,241,564	137.3%
Other State	\$ 433,659	\$ 427,259	\$ 6,400	1.5%
Federal Impact Aid	\$ 228,252	\$ 423,838	\$ (195,586)	-46.1%
Gain on Assets	\$ -	\$ 238	\$ (238)	N/A
Interest	\$ 3,588	\$ 2,469	\$ 1,119	45.3%
TOTAL GENERAL	\$ 4,831,518	\$ 3,821,234	\$ 1,010,284	26.4%
TOTAL REVENUE	\$ 5,233,970	\$ 4,210,560	\$ 1,023,410	24.3%

Culbertson's title funds experienced a slight increase due to federal appropriations. The District receives funding in Title I, II-A, II-D, and IV. The District has opted to re-direct all title monies to the Title I program area, for salaries to provide additional assistance in math and language. Title funds increased from \$78,633 to \$78,950, a decline of 0.4 percent.

Culbertson experienced an 8.4 percent decrease in county transportation monies from \$78,596 to \$71,956, due to a decrease of bus miles at the start of the year compared to the time when the budget was prepared. Miles driven per day ended the year at 645.7 compared to last year at 729.0 miles per day. Bus Route #6 was reduced drastically from 89.8 miles per day to 12 miles per day due to the attribution of students residing on the route. Since the route was commissioned to transport ineligible students, the route was not included in the on-schedule budgets. Therefore, state transportation monies decreased by 13.1 percent from \$72,776 to \$63,256.

Remaining state programs, including Jobs for Montana Graduates (\$7,000), excess timber, a.k.a. technology fund monies (\$4,331), and vocational education programs (\$5,954), contributed to the growth of program revenues.

The District held a summer driver's education program instead of a school year course. The driver's education state reimbursement (\$778) declined by \$444, due to fewer students in the driver's education program. State driver's education reimbursements are established by the state and prorated based on the number of students in the program.

General revenues have increased by 27.1 percent. District property taxes experienced a 9.0 percent decrease due to a reduction in requested mills due to more oil and gas monies injected into the budgets. Taxes receivables experienced a slight 1.5 percent increase from \$132,434 to \$134,422 due to late payments of taxes; and, remain at high levels due to the back taxes of large businesses in our area. County retirement equalization decreased from \$261,326 to \$247,743 due to increased adopted budgets and smaller fund balance reappropriations. However, state equalization grew from \$857,899 to \$913,913 due to increases in elementary ANB which controls the direct state aid funding.

Senate Bill 175 from the 2013 Legislative Session introduced concentric circle monies which are the redistribution of surplus oil and gas revenues

from other continuous school districts. The bill sets the limits any school district may receive. With the addition of concentric circle revenue and the increased oil activity in the area, primarily in Richland County, oil revenues grew by an astounding 137.3 percent from \$904,051 to \$2,145,615. Oil revenues were only received in the general funds and the flex funds.

Multiple components make up the state funding formulas in addition to direct state aid. The components are the Quality Educator payment (\$81,629), the At-Risk Student payment (\$7,320), the Indian Education for All payment (\$5,834), the American Indian Achievement Gap payment (\$19,000), the date for achievement payment (\$2,860). The other remaining state general revenues, including the special education allowable cost payments, guaranteed tax base payments, and state block grants, contributed to the slight 0.2 percent decrease, from \$314,754 to \$422,805. Impact Aid revenues decreased from \$423,838 to \$228,252 due to severe cuts in federal appropriations.

Following national trends with low interest rates, the District has been investing at the local bank in a money market at a rate of .20 percent. However, due to the increase in current assets, interest earnings increased 45.3 percent, from \$2,469 to \$3,588.

No gain on assets (i.e. sale of obsolete school items) was recorded in the current fiscal year from \$238 in the previous year.

The changes in the District's expenses as reported in the Statement of Activities are as follows:

	2014	2013	Change	%
Regular Programs	1,311,940	1,715,901	(403,961)	-23.5%
Special Programs	124,314	139,302	(14,988)	-10.8%
Vocational Programs	147,420	147,451	(31)	0.0%
Adult Education Programs	32,313	17,190	15,123	88.0%
Student/ Staff Support	82,597	106,297	(23,700)	-22.3%
Operations & Maintenance	480,222	363,045	117,177	32.3%
School Food	203,533	204,327	(794)	-0.4%
Extracurricular	147,996	102,583	45,413	44.3%
Student Transportation	359,719	363,416	(3,697)	-1.0%
Administration	405,782	356,845	48,937	13.7%
Capital Outlay	680,678	58,684	621,994	1059.9%
Debt Service-Principal	107,781	105,708	2,073	2.0%
Debt Service-Interest	8,141	11,505	(3,364)	-29.2%
Unallocated Depreciation	166,872	157,933	8,939	5.7%
Total Expenses	4,259,308	3,850,187	409,121	10.6%
Less Program Revenue	(402,452)	(389,326)	(13,126)	3.4%
TOTAL NET EXPENSES	3,856,856	3,460,861	395,995	11.4%

Overall net expenditures have increased by 11.4 percent, from \$3,460,861 to \$3,856,856. The Culbertson full-time staff grew by 2.5 FTE from 48 employees to 50.5 employees (with 1 additional teacher, 2 additional janitors, and .5 less teacher aide). Classified staff received a 30 percent bonus as an oil impact stipend amounting to around \$105,000. Substitute teacher costs have decreased by 23 percent due to the availability for teachers to earn comp time. Two certified teacher retirement incentives were offered in 2012-2013 in the amount of \$49,991 and no incentives were offered in 2013-2014. Regardless, overall salaries did increase by 8.6 percent. District expenditures for regular education were reduced by 23.5 percent. Expenditures in vocational programs remained fairly constant by only decreasing by \$31. Expenditures in adult education increased from \$17,190 to \$32,313 due to the additional purchases for adult ed classes. Student/Staff Support expenditures have decreased, by 22.3 percent, due to re-direction of staff.

Operation and maintenance expenditures increased by 32.3 percent, from \$363,045 to \$480,222. Significant increases are due to additional salaries and bonus stipends, increased utility costs, and acquired minor equipment of mower, scissor lift and floor scrubber.

The cost of school food decreased slightly by 0.4 percent due to the elimination of a half-time staff in the kitchen while being offset by increased salaries. Travel expenses decreased in student transportation due to changes in the miles per day. Extracurricular expenses grew by 44.3 percent due to increased stipends as quantified in the updated policy.

Administration costs experienced a 13.7 percent growth due to salary increases. Debt service costs decreased from \$11,505 to \$8,141 as interest payments on the Board of Investment loans are diminishing. Principal payments increased from \$105,708 to \$107,781. Unallocated depreciation increased by 5.7 percent due to the addition of capital assets from previous years.

Student enrollment counts, now conducted three times per year on February 1st, October 1st, and December 1st give an accounting of the number of students currently enrolled. February 2013 counts showed 192 elementary and 81 high school students, while February 2014 counts showed 196 elementary and 78 high school students, an overall gain of 1 student.

ANB, Average Number Belonging, is calculated using all three counts which drive the ANB figure, which, in turn, drives the general fund budgets. Elementary ANB increased from 183 to 199, an 8.7 percent growth. High School ANB decreased by 4.5 percent, from 89 to 85. With increases also in state funding, the General Fund Budgets increased by 4.5 percent.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the District's funds. Under this new reporting model, the District is required to provide detailed information on its "major" funds.

Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund assets. In the 2014 fiscal year, the amounts for the Elementary and High School General Funds exceeded the 10% threshold. All

other funds for the District have been grouped into the Other Governmental Funds category on the financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Current assets and liabilities were used to fund on-going building projects and purchase busses creating the 16.0 percent increase in net capital assets. Building plans continue through the next year in completing the addition of a PE/Health Classroom and Exercise Facility and beginning the addition of four new elementary classrooms.

In addition to current assets, Culbertson School utilized the Board of Investments, Intercap Loan Program, to finance several building projects from previous years. Full principal amount will be \$800,000 for 10 years with an initial interest rate of 1.95 percent with semi-annual payments made in August and February. The interest rate for the 2013-14 school year was 1.00 percent. The District also has annual compensated absence liabilities which consist of \$120,981 to fund the staff outstanding sick leave and vacation leave benefits.

THE FUTURE OF THE DISTRICT

With any rurally-based community in addition to existing in an inflated oil activity area, enrollment fluctuations greatly impact the financial well-being of the school. However, with Culbertson being on the edge of the Bakken oil boom, student mobility has become an important issue. The District's enrollment populations and the budgets have grown with future activity in oil production steadily increasing. Because of the enrollments and budgets, the School Board continues to renovate several key, over-crowded areas. Stable enrollments and growing assets are definitely securing our future. Culbertson continues to emphasize exceptional services to all students through numerous avenues. Our children greatly benefit from the high level of instruction and up-to-date technology. The District prides itself on maintaining a safe, high level of standards for both staff and students and will continue to be innovative in all future endeavors.

CONTACTING THE DISTRICT

This financial report is designed to provide the citizens, parents and tax payers of the Culbertson School District with the general overview of the District's finances and to show the District's accountability for the money it secures. If you have any questions about this report or need additional financial information, contact Larry Crowder, Superintendent, or Lora Finnicum, District Clerk, at Culbertson Schools, 423 1st Avenue West, P.O. Box 459, Culbertson, Montana 59218, (406) 787-6241.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
ROOSEVELT COUNTY
CULBERTSON, MONTANA

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS:

Current Assets:

Cash and Investments	\$2,542,215
Property Taxes Receivable	134,422
Due from Other Governments	<u>30,813</u>
Total Current Assets:	2,707,450

Capital Assets:

Land	4,783
Buildings and Improvements	8,865,644
Equipment	705,962
Less Accumulated Depreciation	<u>(2,633,905)</u>

Capital Assets – Net 6,942,484

Total Assets 9,649,934

LIABILITIES:

Current Liabilities:

Current Portion of Compensated Absences	120,981
Current Portion of Notes Payable	<u>212,219</u>
Total Current Liabilities	333,200

Non-current Liabilities:

Notes Payable	<u>1,085,259</u>
Total Non-current Liabilities	<u>1,085,259</u>

Total Liabilities 1,418,459

NET POSITION:

Net Investment in Capital Assets	5,643,006
Restricted Net Position	11,860
Unrestricted Net Position	<u>2,576,609</u>
Total Net Position	<u>8,231,475</u>

See notes to the basic financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Revenue</u>			
Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue	
GOVERNMENT OPERATIONS				
Instruction:				
Regular Programs	\$ 1,504,646		\$ 21,352	\$ (1,483,294)
Special Programs	124,314		124,314	-
Vocational Programs	147,420		15,878	(131,542)
Adult Education	32,313			(32,313)
Student/Staff Support	82,597			(82,597)
Administration:				
Schools	82,147			(82,147)
General	234,288			(234,288)
Financial	89,347			(89,347)
Library	6,926			(6,926)
Transprotation	360,050		135,212	(224,838)
Extracurricular	141,492			(141,492)
Operation and Maintenance	480,222			(480,222)
School Food	203,533	\$ 36,220	69,476	(97,837)
Loan Interest	8,141			(8,141)
Unallocated depreciation	166,872			(166,872)
Totals	\$ 3,664,308	\$ 36,220	\$ 366,232	\$ (3,261,856)
 GENERAL REVENUES				
District Property Taxes				858,749
State Equalizatoin				913,913
State Oil & Gas Tax				2,145,615
Federal Impact Aid				228,252
Other State Revenue				433,659
County Property Taxes				247,742
Investment Earnings				3,588
Total General Revenues				4,831,518
 CHANGE IN NET POSITION				
1,569,662				
NET POSITION				
July 1, 2013				6,661,813
June 30, 2014				\$ 8,231,475

See notes to basic financial statements.

CULBERTSON SCHOOL DISTRICTS 17 AND 17C
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Major Fund</u>		Total
	General Funds	Other Governmental Funds	
ASSETS:			
Cash and Investments	\$ 1,583,277	\$ 958,938	\$ 2,542,215
Property Taxes Receivable	112,415	22,007	134,422
Due from Other Governments	21,223	9,590	30,813
TOTAL ASSETS	1,716,915	990,535	2,707,450
Deferred Inflows of Resources			
Deferred Inflow of Resources	112,415	22,007	134,422
FUND BALANCE:			
Restricted	-	11,860	11,860
Assigned	165,118	956,668	1,121,786
Unassigned	1,439,382		1,439,382
TOTAL FUND BALANCE	1,604,500	968,528	2,573,028
TOTAL LIABILITIES AND FUND BALANCE	1,716,915	990,535	2,707,450

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	2,573,028
Add capital assets not reported above	9,576,389
Less Accumulated Depreciation	(2,633,905)
Less Liabilities not reported above:	
Notes Payable	(1,297,478)
Compensated Absences	(120,981)
Add deferred inflow of resources for property taxes receivable recognized as revenue in the government-wide statement	134,422
Net Position	8,231,475

See notes to the basic financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR	THE	YEAR	ENDED	JUNE	30,	2014
			Major Fund			
			General Funds	Other Governmental Funds	Total	
REVENUES:						
District Property Taxes			\$ 662,217	\$ 194,544	\$ 856,761	
Intergovernmental:						
County			-	220,737	220,737	
State			3,207,334	303,299	3,510,633	
Federal			228,252	229,851	458,103	
School Food Sales			-	105,696	105,696	
Interest			2,306	1,282	3,588	
Total Revenues			4,100,109	1,055,409	5,155,518	
EXPENDITURES:						
Current Operations:						
Instruction:						
Regular Programs			1,276,243	171,363	1,447,606	
Special Programs			24,453	99,861	124,314	
Vocational Programs			132,110	15,310	147,420	
Adult Education			19,989	12,324	32,313	
Student/Staff Support			82,597	-	82,597	
Library			6,929		6,929	
Administration:						
Schools			73,977	8,170	82,147	
General			188,160	46,128	234,288	
Financial			63,583	25,764	89,347	
Transportation			203,195	156,524	359,719	
Extracurricular			140,179	7,817	147,996	
Operation and Maintenance			406,546	33,091	439,637	
School Food			89,554	113,979	203,533	
Capital Outlay			1,142,760		1,142,760	
Debt Service - Principal			107,781		107,781	
Debt Service - Interest			8,141		8,141	
Total Expenditures			3,966,197	690,331	4,656,528	
EXCESS OF REVENUES OVER EXPENDITURES			133,912	365,078	498,990	
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-term Capital Debt			564,092	-	564,092	
Operating transfers			(3,588)	3,588	-	
Total Other Financing Source(Uses)			560,504	3,588	564,092	
CHANGE IN FUND BALANCE			694,416	368,666	1,063,082	
FUND BALANCE						
July 1, 2013			910,084	599,862	1,509,946	
June 30, 2014			1,604,500	968,528	2,573,028	

See notes to the basic financial statements.

CULBERTSON SCHOOL DISTRICT NUMBER 17 AN D17C
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balance - from page 19

Amounts reported in the statement of activities (page 16) are different because:	1,063,082
Increase in property taxes receivable not reflected in revenue in the government fund statement	1,988
Increase in long term debt as a result of purchasing new capital assets	(564,092)
Expenses on the government-wide statement not included on the government fund statement:	
Depreciation expense	(185,809)
Decrease in compensated absence liability	3,952
Expenditures not reported on the state of activities:	
Debt service principal repayment	107,781
Capital outlays	<u>1,142,760</u>
Change in Net Position	<u><u>\$ 1,569,662</u></u>

See notes to the basic financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
STATEMENT OF FIDUCIARY NET POSITION AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Private - purpose Trust Funds		Agency Fund	
	Student Activity Fund	Scholarship Endowment Fund	Interlocal Agreement Fund	Total Fiduciary Funds
FIDUCIARY NET POSITION:				
ASSETS				
Cash and Investments	\$ 48,794	\$ 30,827	\$ 146,323	\$ 225,944
 NET POSITION				
Held in Trust for Student Activities	48,794			48,794
Held in Trust for Scholarship		30,827		30,827
Held for Roosevelt County Coop			146,323	
Total Net Position	48,794	30,827	146,323	79,621
 CHANGES IN FIDUCIARY NET POSITION:				
ADDITIONS				
Revenue from Student Activities	156,668			156,668
Contributions		23,149		23,149
Transfers from other School Districts				-
Interest earnings		47		47
Total Additions	156,668	23,196		179,864
 DEDUCTIONS				
Expenses of Student Activities	165,721			165,721
Student Scholarships		18,534		18,534
MUST Insurance payments				-
Total Deductions	165,721	18,534		184,255
CHANGE IN NET POSITION HELD IN TRUS	(9,053)	4,662		(4,391)
 NET POSITION HELD IN TRUST				
July 1, 2013	57,847	26,165		84,012
June 30, 2014	\$ 48,794	\$ 30,827		\$ 79,621

See notes to the basic financial statements.

CULBERTSON SCHOOL DISTRICT NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity	A1
Basis of Presentation	A2
Measurement Focus and Basis of Accounting	A3

SPECIFIC ACCOUNTING POLICIES:

Cash and Investments	A4
Inventories	A5
Property Taxes	A6
Capital Assets	A7
Compensated Absences	A8
Encumbrance Accounting	A9
Use of Estimates	A10

CASH AND INVESTMENTS	B
----------------------	---

PROPERTY TAXES RECEIVABLE	C
---------------------------	---

CAPITAL ASSETS	D
----------------	---

LONG-TERM LIABILITIES	E
-----------------------	---

AMOUNT DUE TO/DUE FROM OTHER GOVERNMENTS	F
--	---

OPERATING TRANSFERS	G
---------------------	---

RETIREMENT PLANS	H
------------------	---

RISK MANAGEMENT	I
-----------------	---

FEDERAL GRANTS	J
----------------	---

DEFERRED REVENUE	K
------------------	---

FUND BALANCE	L
--------------	---

OTHER POST-RETIREMENT EMPLOYMENT BENEFIT	M
--	---

SUBSEQUENT EVENTS	N
-------------------	---

CULBERTSON SCHOOL DISTRICT NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Culbertson School District Number 17 and 17C have been prepared in accordance with U.S. Generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant School Districts accounting policies are described below:

1. REPORTING ENTITY – Under state law, the Districts consist of two legally separate entities – high school and elementary. The elementary district provides education from kindergarten through the eighth grade and the high school district grades nine through twelve, as well as adult education classes. Although the districts are accounted for separately because of the differences in funding and legal requirements, the two districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The Board of Trustees is the basic level of government which has financial accountability and control over all activities related to the school districts. The elementary district general fund and high school strict general fund have been combined and reported as the combined general fund in the accompanying financial statement. As described in Note L to the financial statements, the General Fund also includes the financial information of special revenue funds that no longer meet the revised fund definition per GASB 54.

The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The county assesses taxes, collects revenues, makes investments and functions as the custodian for all of the School Districts monetary assets and for all of the School Districts funds except for the extracurricular activity funds. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since the Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by Governmental Accounting Standards Board Statement 14, which are included in the Districts’ reporting entity.

2. BASIS OF PRESENTATION - The District’s basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and the fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT WIDE STATEMENTS – The statement of net position and the statement of activities show information about the overall financial position and activities of the School Districts with the exception of the endowment fund, the student extracurricular activities fund, and the interlocal agreement fund. The Statement of Activities reports the expenses of a given function offset by direct expenses are those that are specifically associated with a program or function. The Districts do not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

2. BASIS OF PRESENTATION (cont.)

Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financed or draws from the general revenues of the Districts.

FUND FINANCIAL STATEMENTS- The governmental funds financial statements include the balance sheet and statement of revenues, expenditures and changes in fund balance and reconciliation is provided reconciling these statements to the statement net position and the statement of activities. The fiduciary fund financial statement includes the statement of fiduciary net position and changes in fiduciary net position.

Fund Accounting - The Districts use funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Districts use two categories of funds: governmental and fiduciary funds.

Governmental Funds – Governmental Funds are those through which most school district functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various funds according to the purposes for which they may or may not be used. The Districts report the difference between governmental fund assets and liabilities as a fund balance.

Fiduciary Funds – Fiduciary Fund reporting focuses on the net position. The District's fiduciary funds include two private-purpose trust funds: the endowment fund, which accounts for gifts, legacies and devises received by the school and student extra-curricular activity fund. The District's fiduciary funds also include an agency fund: an interlocal agreement fund that is a multidistrict cooperative established for the purpose of receiving funds from member school districts and the payment of health insurance premiums.

The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed as a separate column. All other remaining funds are aggregated and reported in a single column as non-major. The general fund for the elementary and high school districts as well as special revenue funds that do not meet the revised special revenue fund definition are combined and reported as a major fund. All other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of total for all governmental funds are also reported as major funds. Accordingly, the Districts report the General Fund as their only major governmental fund:

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

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – The government-wide and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting, generally reclassifying or eliminating internal activities (between or within funds).

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available includes state and other governmental revenues applicable to the current fiscal year and collected soon after year-end. Most property taxes receivable are delinquent June 30 and amounts collected soon after year end are not significant. Deferred revenues are recorded for these receivables in the fund financial statements.

Expenditures are recorded when the related fund liability is incurred, except for principle and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. Capital assets acquisitions are reported as expenditures in governmental funds and proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the Districts' grant agreements, certain programs are funded by specific cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

When both restricted and unrestricted resources are available for use, it is the Districts policy to use restricted resources first, then unrestricted resources as needed.

4. CASH AND INVESTMENTS – State law permits investment of the School Districts' funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and State's unified investment programs. Except for the hot lunch fund, extracurricular fund, and petty cash, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value, which approximates cost.

5. INVENTORIES – Inventories of materials and supplies are expensed at the time of purchase. Although this is a departure from U.S. GAAP, the amounts are not considered material to the basic financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

6. PROPERTY TAXES – Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred revenue in the fund financial statements. The District does not record an allowance for uncollectable taxes. Although this is a departure from U.S. GAAP, the amounts are not considered to be material to the basic financial statements. All property taxes are collected by the Roosevelt and Richland County, Montana, Treasurers. Property taxes are levied on the 2nd Monday in August based on assessments from the prior January. They are due in two equal installments on November 30th and May 31st, following the levy date.

7. CAPITAL ASSETS – Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Building and improvements	20-75 years
Equipment	5-15 years

8. COMPENSATED ABSENCES – Liabilities incurred because of accumulated unused vacation and sick pay which is included in the government-wide financial statements. Expenditures for these liabilities are recognized when paid in the fund financial statements. The Districts use the general fund to pay departing employees for accrued vacation and sick leave.

9. ENCUMBERANCE ACCOUNTING – Encumbrances for goods or services are documented by purchase orders or contracts at year end. Under GAAP reporting, these amounts are not included as expenditures in the basic financial statements, however they are included as an assignment if fund balance in the fund financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual reports amount using the basic budgetary basis (i.e. includes encumbrances), however GAAP basis reconciliation is provided.

10. USE OF ESTIMATES – The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

The Districts participate in the Roosevelt County Treasurer’s investment program. Funds deposited with the County Treasurer are pooled and invested in accordance with State law. Funds are withdrawn from the investment program as needed to pay warrants. Earnings are all allocated to the Districts based on average month-end cash balances and are distributed monthly.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2014

NOTE B- CASH AND INVESTMENTS (cont.)

It is not practical to determine the investment risk, collateral or insurance coverage for the Districts' share if these pooled investments. Information about the pooled investments is included in the County's annual financial statements. The hot lunch fund, extracurricular fund, credit card clearing account and petty cash are deposited in local FDIC insured accounts.

The Districts' cash and investments at June 30, 2014 are shown below:

	Carrying Amount	Bank Balance
Investment pool with County	\$ 702,067	\$ 651,474
Money Market for District Funds with County	2,011,380	2,011,380
Extracurricular funds	48,794	49,816
Miscellaneous cash funds	<u>5,918</u>	<u>5,918</u>
	<u>\$2,768,159</u>	<u>\$2,718,588</u>

Reconciliation to Cash and Investments per Statement of Net position:

Total cash	\$2,768,159
Less: Cash per Statement Of Fiduciary Net position	<u>(225,944)</u>
Cash and Investments per Statement of Net position	<u>\$2,542,215</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rate. The Districts have a money market account of invested cash through Roosevelt County, therefore the District's investments are not subject to interest rate risk.

NOTE C – PROPERTY TAXES RECIEVABLE

Most property taxes receivable are expected to be collected within the coming fiscal year; consequently, they have been classified as current assets in the statement of net position.

NOTE D - CAPITAL ASSETS

The following summary reflects the changes in capital assets for the year ended June 30, 2014:

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE D – CAPITAL ASSETS (cont.)

	Balance 07/01/2013	Additions	Deletions	Balance 6/30/14
Nondepreciable Capital assets:				
Land	\$ 4,783	\$ 0	\$ 0	\$ 4,783
Total nondepreciable assets	4,783	0	0	4,783
Depreciable capital assets:				
Buildings and Improvements	8,142,809	722,835	0	8,865,644
Machinery and Equipment	303,775	419,925	(17,738)	705,962
Total Depreciable Assets	8,446,584	1,142,760	(17,738)	9,571,606
Total Capital Assets	8,451,367	1,142,760	(17,738)	9,576,389
Accumulated Depreciation:				
Buildings and Improvements	(2,329,726)	(163,258)	0	(2,526,304)
Machinery and Equipment	(136,108)	(22,551)	17,738	(107,601)
Total Accumulated Depreciation	(2,465,834)	(185,809)	17,738	(2,633,905)
Net Capital Assets	\$5,985,533	956,951	\$ 0	\$ 6,942,484

Actual cash outlay in the current year for the purchase of capital assets was \$1,142,760. Current year purchases were three buses and various improvements and addition to the health room.

Current year depreciation expense was charged to functions as follows:

Regular programs	\$ 5,102
Operation and Maintenance	9,635
School Food	4,200
Unallocated, building depreciation	<u>166,872</u>
Total depreciation expense	<u>\$ 185,809</u>

NOTE E – LONG TERM LIABILITIES

A summary of the changes in accrued compensated absences for the year ended June 30, 2014 is as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Beginning Balance	\$ 67,270	\$ 57,663	\$124,933
Increase (decrease)	<u>766</u>	<u>(4,718)</u>	<u>(3,952)</u>
Ending Balance	<u>\$ 68,036</u>	<u>\$ 52,945</u>	<u>\$120,981</u>

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE E – LONG TERM LIABILITIES (cont.)

Prior to June 30, 2010, the Board of Trustees approved a resolution authorizing the Districts to participate in the Board of Investments of the State of Montana’s InterCap Loan Program. The Districts approved for a loan in the amount of \$800,000 for the purpose of school facilities improvements.

The loan calls for semi-annual payments on February 15 and August 15 through 02-15-2020. The interest rate may vary on money market rates, which was 1.00% for the 08-15-13 and the 02-15-14 payments. The rate will be 1.00% for the 08-15-14 payment.

In November, 2012 the Districts received loan advanced from the Montana Board of Investments of \$124,000 and \$122,041 for reroofing the school. These loans also call for semi-annual payments on February 15 and August 15 through 08-2021 and are at a variable interest rate, which was 1.00% for the payment on 08-15-13 and the 02-15-2014 payment.

During the fiscal period the District entered into two different loan to purchase 3 buses. On January 7, 2014 the District entered into a loan to purchase one Motor coach and one shuttle bus. The loan terms are for five years at an interest rate of 3.36%. Total loan amount is \$420,500 with monthly payments of \$7,623.67 beginning on March 1, 2014. Then on June 3, 2014 a loan in the amount of \$169,879 for the purchase of a 2014 International StarCraft XLT shuttle bus with a five year loan and an interest rate of 4.14% and monthly payments of \$3,139.36 beginning on August 1, 2014.

The following summarizes the loans of the Districts for the year ended June 30, 2014:

	<u>Balance 7/1/13</u>	<u>Amount Advanced</u>	<u>Amount Repaid</u>	<u>Balance 6/30/14</u>	<u>Current Portion</u>
Montana Board of Investments					
Loan 2314-01	\$ 131,520		\$ 17,725	\$ 113,795	\$ 18,072
Loan 2314-02	116,500		15,733	100,767	16,041
Loan 2314-03	125,190		16,906	108,284	17,237
Loan 2314-04	154,720		20,868	133,852	21,277
Loan 2314-05	91,012		12,266	78,746	12,507
Loan 2400-01	111,997		12,238	99,759	12,478
Loan 2402-01	110,228		12,045	98,183	12,281
Loan 6662	-	\$169,879	-	169,879	28,575
Loan 6540	-	394,213	-	394,213	73,751
	<u>\$ 841,167</u>	<u>\$564,092</u>	<u>\$ 107,781</u>	<u>\$1,297,478</u>	<u>\$ 212,219</u>

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE E – LONG TERM LIABILITIES (cont.)

Future Payments Needed

Year Ended	Principle	Interest @1%	Total Payments
6/30/2015	\$ 212,219	\$ 30,316	\$ 242,535
6/30/2016	226,382	20,122	\$ 246,504
6/30/2017	236,155	11,406	\$ 247,561
6/30/2018	241,407	7,235	\$ 248,642
6/30/2019	216,222	3,057	\$ 219,279
4 years ending 6/30/22	<u>165,093</u>	<u>939</u>	<u>\$ 166,032</u>
	<u>\$1,297,478</u>	<u>\$ 73,075</u>	<u>\$1,370,553</u>

NOTE F – AMOUNT DUE TO/DUE FROM OTHER GOVERNMENTS

The amounts due to/due from other governments consist of the following:

GENERAL FUND:

Due from Richland County \$ 21,223

SPECIAL REVENUE FUNDS:

Due from Richland County 6,312

Due from Driver's Education 778

Due from JMG 2,500

Total Due from other Governments \$ 30,813

NOTE G – OPERATING TRANSFERS

Operating transfers consist of \$3,588 transfer from the General Fund to the Compensated Absence Liability Fund.

NOTE H – RETIREMENT PLANS

The Districts participate in two state-wide, cost sharing multiple employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers Retirements System (TRS) covers certified teaching employees, including principals and superintendents, and the Public Employee Retirement System (PERS) covers non-teaching employees. Substitute teachers may elect to become an active member of TRS on the first day of employment in each fiscal year. If a substitute teacher does not elect to become a member, membership becomes mandatory on the 31st day of employment, at which time retroactive

contributions will not be required. The plans are established by State law and are administered by the Department of Administration of the State of Montana.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE H – RETIREMENT PLANS (cont.)

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

TEACHERS RETIREMENT SYSTEM PO BOX 200339 1500 SIXTH AVENUE HELENA, MT 59260-0139 PHONE: 406-444-3134	PUBLIC EMPLOYEES RETIREMENT SYSTEM PO BOX 200331 1712 NINTH AVE. HELENA, MT 59260-0131 PHONE: 406-444-3154
--	--

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

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>	
TRS	8.47%	8.15%	16.62%	
PERS	6.80%	6.90%	13.70%	hired on or before 7-1-12
PERS	7.90%	7.90%	15.80%	hired on or after 7-1-12

The state contributes .37% to PERS on behalf of the employer. The State also contributes 2.49% to the pension trust fund on behalf of employees participating in TRS. The State contributions have not been recorded in these financial statements.

The amounts contributed to the plan during the years ended June 30, 2012, 2013 and 2014, were equal to the required contribution for each year. The amounts contributed by both the Districts and their 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	\$ 250,769	\$ 249,611	\$ 313,232
PERS	44,973	48,198	66,446
	\$ 295,742	\$ 297,809	\$ 379,678

NOTE I – RISK MANAGEMENT

The Districts face a considerable number of risks of loss, including a) damage and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage,

e) and worker’s compensation, i.e. employee injuries. A variety of methods is used to provide insurance for these risks.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE I – RISK MANAGEMENT (cont.)

Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. The Districts participate in a state-wide public risk pool, Montana Schools group’s Worker’s Compensation Risk Retention Program, for worker’s compensation coverage. Given the lack of coverage available, the Districts have no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of assets.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In 1989 the Districts joined together with other Montana school districts to form entity risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays a quarterly premium for its employee injury insurance coverage which is allocated to the employer funds based on total paid salaries and wages. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

NOTE J – FEDERAL GRANTS

The School Districts have received numerous federal grants during the year, many of which specify the terms and conditions under which the monies may be expended. In the event of noncompliance, the Districts may be required to reimburse the appropriate federal agency. The Districts received \$6,902 in USDA and state commodities during the year ended June 30, 2014.

NOTE K – DEFERRED REVENUE

Deferred inflow of resources reported in the governmental fund financial statements at year end consist of the following:

	General Funds	Special Revenue Funds	Total Deferred Inflow of Resources
TAX REVENUE	\$112,415	\$22,007	\$134,422

Tax revenue reported as deferred inflow of resources in the governmental funds is recorded as revenue in the government-wide financial statements. Accordingly, deferred tax revenues is excluded in the government-wide financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE L – DEFERRED REVENUE (Cont.)

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, Culbertson School Districts Number 17 and 17C classifies governmental fund balance as follows:

-Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

-Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or grantors, or amounts constrained due to constitutional provisions or enabling legislation.

-Committed – includes fund balance amounts that are constrained for specific purposes by the District itself, through formal action by a majority vote of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees, by majority vote, removes or changes the constraint.

- Assigned – includes fund balance amounts that are intended to be used for specific purposes. The intent can be expressed by majority vote of the Board of Trustees. The Board also delegates the power to assign fund balances to the School Superintendent of the District Clerk. Assignments so made shall be reported to the Board of Trustees on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the Board of Trustees. Assigned fund balance also includes encumbrances for goods and services at year-end.

-Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories.

The District use restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Districts would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District will strive to maintain a minimum unassigned general fund balance of ten percent (10%) of the annual budget.

A schedule of fund balances is provided:

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE L – DEFERRED REVENUE (Cont.)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:			
Restricted For:			
Federal Grants - Instruction	\$ -	\$ 11,860	\$ 11,860
Assigned to:			
Instruction	81,577	780,188	861,765
Administration	-	15,445	15,445
Operations & Maintenance	3,306		
Capital Outlay	80,235		
Transportation	-	153,697	153,697
School Food	-	7,338	7,338
Unassigned:	<u>1,439,382</u>		<u>1,439,382</u>
Total Funds Balance	\$ 1,604,500	\$ 968,528	\$ 2,489,487

Included in fund balance classified as assigned are year-end encumbrances by the following funds for the following purposes:

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE L – DEFERRED REVENUE (cont.)

	Instruction	Operations and Maintenance	Capital Outlay	Total
General Funds	\$ 80,796	\$ 4,087	\$ 80,235	\$ 165,118
Special Revenue Funds	33,393	-	-	33,393
Total Encumbrances	<u>\$ 114,189</u>	<u>\$ 4,087</u>	<u>\$ 80,235</u>	<u>\$ 198,511</u>

NOTE M – OTHER POST RETIREMENT EMPLOYMENT BENEFIT

According to Montana State Law, qualified retired employees may elect to remain on the Districts' health insurance plan until they attain age for Medicare coverage. The retiree pays the cost of health insurance premiums, however they are insured together as a group with current employees. This causes the premiums paid by the retirees to be lower than they would have been if the retirees were insured separately. This results in an implicit rate subsidy. A new reporting requirement for fiscal year 2010 by the Governmental Accounting Standards Board states this implicit rate subsidy be considered other post-retirement employment benefit (OPEB) and an accrual for the valuation of this benefit be included in the Districts' government-wide financial statements. There are numerous assumptions that are a part of the calculation for estimating this accrued liability. The Districts' management has elected not to accrue a liability for this OPEB because they feel the amount if any required accrual would not be material to the financial statements.

NOTE N – SUBSEQUENT EVENTS

Inquiry of management indicated that no events occurred subsequent to June 30, 2014 and through the date of this audit report that would require adjustment to or disclosure in the basic financial statements.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	General Funds		
	Original Budget	Final Budget	Actual
REVENUES:			
District Property Taxes	\$ 663,603	\$ 750,196	\$ 662,217
State sources	1,554,042	1,681,047	1,859,339
Interest	1,004	2,406	1,216
Other/Federal			
Total Revenues	2,218,649	2,433,649	2,522,772
EXPENDITURES:			
Current Operations:			
Instruction:			
Regular Programs	1,250,342	1,274,344	1,048,460
Special Programs	2,175	2,175	3,673
Vocational Programs	92,140	92,140	113,434
Staff/Instructional Support	59,926	56,000	44,254
Library	29,400	32,400	6,927
Administration:			
Schools	72,180	72,180	73,977
General	126,750	139,750	188,160
Financial	61,914	61,860	57,737
Transportation	44,522	44,500	51,290
Extracurricular	89,300	119,300	124,173
Operation and Maintenance	306,000	400,000	375,981
School Food	84,000	139,000	78,500
Total Expenditures	2,218,649	2,433,649	2,166,566
EXCESS OF REVENUES			
OVER EXPENDITURES	-	-	356,206
 OTHER FINANCIN SOURCES (USES)			
Operating transfers			(3,588)
Total Other Financing Sources (Uses)			(3,588)
Fund Balance - begning of the year			306,052
Fund Balance - end of the year			658,670

See notes to the required supplementary information.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

BUDGETS

An annual budget is adopted each fiscal year for the General Funds and those other Governmental Fund types classified by state law as budgeted funds. For School Districts Number 17 and 17C, these include the Transportation, Retirement, Adult Education, Technology and Flexibility Funds. All budgets are formulated in accordance with state law. The final budget is legally enacted by the Board of Trustees on or before August 15. The General Fund budgets are based on the State's Foundation Program, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues.

Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies, defined by state law as expenses which could not have been reasonably foreseen at the time of adoption of the budget. This year the budget was amended in the amount of \$135,000 for the elementary general fund and \$80,000 for the high school general fund. Transfers may be made between expenditures objects and/or functions within the same fund. The budgeted amounts, as shown in the required supplementary information include original budgeted amounts, final budgeted amounts and actual revenues and expenditures. The budget and actual statement of this report is prepared on the budgetary basis of accounting. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund statement includes only the budget and actual revenues and expenditures of the Elementary and High School General Funds. As disclosed earlier, for financial reporting purposes, the Elementary and High School Impact Aid and Flex Funds financial information has been combined and reported with the Elementary and High School General Funds in the governmental fund financial statements.

Actual expenditures do not exceed final budgeted expenditures for the year ended June 30, 2014.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 SUPPLEMENTARY INFORMAITON
 ENROLLEMENT REPORTING
 FOR THE YEAR ENDED JUNE 30, 2014

	Fall 2013 Report	District Records	Winter 2013 Report	District Winter	Spring 2014 Report	District Records
Elementary School						
Pre K				2		
Grades K - 6	159	159	166	166	168	168
Grades 7 - 8	<u>35</u>	<u>35</u>	<u>32</u>	<u>32</u>	<u>30</u>	<u>30</u>
Total	<u>194</u>	<u>194</u>	<u>198</u>	<u>200</u>	<u>198</u>	<u>198</u>
High School						
Grades 9 -12	<u>84</u>	<u>84</u>	<u>81</u>	<u>81</u>	<u>78</u>	<u>78</u>
Total	<u>84</u>	<u>84</u>	<u>81</u>	<u>81</u>	<u>78</u>	<u>78</u>

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 SUPPLEMENTARY INFORMATION
 EXTRACURRICULAR FUND
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCE
 BY STUDENT ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2014

Fund Account	Beginning Balance 7/01/13	Revenues Collected	Expenditures Paid	Transfers In (Out)	Ending Balance 6/30/14
Annual	\$ 5,244	\$ 4,815	\$ 5,802	\$ (355)	\$ 3,902
Art	3,908	1,852	2,822		2,938
Athletics	8,164	33,932	34,791	94	7,399
Band/Choir	2,672	29	855		1,846
BPA	8,483	28,792	26,218	(364)	10,693
Cheerleaders	188	110	137		161
Class of 2017		1,376	90	632	1,918
Class of 2013	333		333		-
Class of 2014	4,474	124	4,088		510
Class of 2015	2,320	3,482	3,619		2,183
Class of 2016	1,714	5,451	3,630	110	3,645
8th Grade	632	494	335	(632)	159
Comp Speech	-				-
Explore America	1,292	27,502	25,824	284	3,254
FFA	7,949	23,956	27,804	374	4,475
JMG	1,544	5,014	6,283		275
Library	433	6,638	6,615	(75)	381
Lions Quest	-				-
Music Parents	2,391		884		1,507
School Play	472				472
Spanish Club	1,007	12,082	13,121	(68)	(100)
Student Council	1,723	1,106	2,469		360
VO-AG Revolving	2,602	215			2,817
Totals	\$ 57,545	\$ 156,970	\$ 165,720	\$ 0	\$ 48,795

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

The fall enrollment of students attending the Districts' school is as follows:

	Year Ended June 30			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Grades 9-12	91	80	82	84
Grades 7-8	43	43	34	35
Kindergarten-Grade 6	<u>144</u>	<u>131</u>	<u>155</u>	<u>159</u>
Total	278	254	271	278

Property Tax Valuations

As of January 1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Elementary District	6,447,512	6,898,017	7,403,343	7,403,343
High School District	5,386,625	5,831,675	6,213,954	6,213,954

SCHOOL DISTRICT TAX LEVIES (IN MILLS)

	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
General	71.02	57.22	59.53	58.12	44.67	58.66	41.88	56.89
Transportation	5.83	9.15	18.07	14.51	22.64	15.07	9.62	15.47
Adult Education	<u>0.98</u>	<u>0.99</u>	<u>1.01</u>	<u>0.94</u>	<u>1.84</u>	<u>2.49</u>	<u>1.74</u>	<u>1.95</u>
Total	77.83	67.36	78.61	73.57	69.15	76.22	53.24	74.31

(1) Elementary District

(2) High School District

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Office of Public Instruction:			
School Food Commodity Distribution Program (Non-Cash)	10.555	43-0778	\$ 6,902
National School Lunch Program	10.555	43-0788	<u>53,379</u>
Total U.S. Department of Agriculture			<u>60,281</u>
 <u>U.S. Department of Education</u>			
Title VIII, Impact Aid	84.041		-
Title VIII, Impact Aid	84.041		-
 <u>U.S. Department of Education</u>			
Passed Through Office of Public Instruction:			
Title I, Part A, Improving Basic Programs	84.010A	43-0777-311	78,950
Carl Perkins (Federal Vo-Ed)	84.048A	43-0778-8111	2,805
Title VII, Indian Education	84.060A	S060A020114	18,676
Title VI, Part B, Subpart 1, Small Rural Schools	84.358A	S358A110993	12,992
Title VI, Part B, Subpart 1, Small Rural Schools	84358A	s358A130925	<u>13,696</u>
Total U.S. Department of Education			<u>127,119</u>
 <u>U.S. Department of Labor</u>			
Johnson O'Malley (JOM)	15.130		<u>1,789</u>
Total U.S. Department of Labor			<u>1,789</u>
 Total Federal Financial Assistance			 <u><u>\$ 189,189</u></u>

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

This schedule of expenditures of federal awards includes the federal grant activity of Culbertson School Districts Number 17 and 17C for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because this schedule presents only a selected portion of the operations of Culbertson School Districts Number 17 and 17C, it is not intended to and does not present the financial position, change in net position, or cash flows of Culbertson School District Number 17 and 17C.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SIDNEY TAX SERVICE, INC

Valli Hauge, CPA & Douglas McCormick

115 2ND ST NE SIDNEY, MT 59270

Phone (406)-433-3131 FAX (406)-433-1219

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

Board of Trustees
Culbertson School Districts Number 17 and 17C
Roosevelt County
Culbertson, Montana

We have audited, 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 the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana's basic financial statements and have issued our report thereon dated April 16, 2015

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana's internal control over financial reporting to determine the audit procedure that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion of the effectiveness of the Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described on the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 14-1 that we consider to be significant deficiency in internal control over financial reporting.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other matters based on an audit of Financial Statement performed In Accordance with Government Auditing Standards.

Page 2

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Culbertson School Districts Number 17 and 17C, Roosevelt County, Montana'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 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.

CULBERTSON SCHOOL DISTRICTS RESPONSE TO FINDINGS

The District's response to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Culbertson School 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 of the effectiveness of the entities internal control or non-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.

Sidney Tax Service, Incorporated

Sidney, Montana
April 16, 2015

SIDNEY TAX SERVICE, INC

Valli Hauge, CPA & Douglas McCormick

115 2ND ST NE SIDNEY, MT 59270

Phone (406)-433-3131 FAX (406)-433-1219

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Culbertson School Districts Number 17 and 17C
Roosevelt County
Culbertson, Montana

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Culbertson School District's compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District 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.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 14-1. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District 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 the District's internal control over compliance with the types of requirements that

could have a direct and material effect on each major federal program to determine 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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, 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 14-1, that we consider to be significant deficiencies.

The Districts' response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

We have audited the financial statements of the District's as of and for the year ended June 30, 2014, and have issued our report thereon dated April 16, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.ney Tax Service, Incorporated

Sidney, Montana
April 16, 2015

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

SECTION I- SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency identified not considered to be material weaknesses? Yes

Noncompliance material to the Financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified? No

Significant deficiency identified not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? Yes

Identification of major programs:

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A, Improving Basic Programs
84.060A	Title VII, Indian Education

Dollar Threshold used to distinguish between Type A and Type B programs? \$300,000

Auditee qualified as low-risk auditee? No

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II- FINANCIAL STATEMENT FINDINGS

Finding 14-1 Lack of Segregation of Duties

The Districts have a limited number of office personnel and accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective system of internal accounting control, it is important that you be aware of this condition.

No action is necessary.

SECTION III – FEDERAL AWARD FINDINGS

Finding 14-1 is also a Federal Award Finding, refer to statement above.

CULBERTSON SCHOOL DISTRICTS NUMBER 17 AND 17C
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II- FINANCIAL STATEMENT FINDINGS

Finding 13-1 Lack of Segregation of Duties – Not Implemented

Finding 13-2 Cash Management – Implemented

Finding 13-3 Quarterly Reports - Implemented

CULBERTSON PUBLIC SCHOOLS

P.O. Box 459
423 First Avenue West
Culbertson, Montana 59218-0459
Phone: (406) 787-6241 • Fax: (406) 787-6244

March 31, 2015

Department of Administration
Local Government Services
P.O. Box 200547
Helena, MT 59620-2501

RE: Response to Audit

The following is a corrective action plan addressing each finding included in the Culbertson School District's auditor's report for the fiscal year ended June 30, 2014:

Finding 14-1 Lack of Segregation of Duties: The Districts have a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

Response. All accounting functions within the Districts are handled by more than one individual staff member. Transactions need administrative approval and payments require two signatures. Monthly financial reports are reported to the School Board and approved at each regular monthly meeting. The School Board is aware of the situation and chooses not to hire additional staff due to budget concerns. The auditors have noted that no action is necessary.

Sincerely,



Larry Crowder
Superintendent



Lora Finnicum
District Clerk