

HYSHAM SCHOOL DISTRICT NO. 1

**TREASURE COUNTY
HYSHAM, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Hysham School District No. 1
Treasure County
Hysham, Montana

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Hysham School District No. 1
Treasure County
Hysham, Montana

ORGANIZATION

BOARD OF TRUSTEES

Charles (Chuck) Hopf	Chair
Brent Icopini	Vice Chair
Robert Keele	Trustee
Shelli Thrower	Trustee
Trent Pfaffinger	Trustee

OFFICIALS

Larry Fink	Superintendent
Sally Vanhemelryck	District Clerk
Kathleen Thomas	County Superintendent
Gary Ryder	County Attorney

HYSHAM PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1, TREASURE COUNTY
HYSHAM, MONTANA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2014

The Superintendent and Business Manager/Clerk of the Hysham School District have provided this Management Discussion and Analysis (MD&A) to give the reader of these statements an overview of the financial position and activities of the School District for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

The District has had a significant decline in student enrollment over the last few years. Using the three year ANB averaging has delayed budget cuts. Presently the District enrollment is averaging about the same year to year but the three year ANB averaging is about to reach actual enrollment levels. There are no indications in development in the community to think that there would be an increase in population. Local taxpayers have to cover the cuts in state funding due to declining enrollments.

Operating cuts have been made to absorb salary increases, insurance costs and other increased operating expenses while at the same time trying to meet state and federal demands for quality education.

USING THE FINANCIAL REPORT

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB).

The report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities. They include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements. Activities of less significant funds are combined under a single category. These statements provide detailed information about the District's General, Transportation, Retirement, Miscellaneous and Building Reserve Fund; which qualify as major funds.

The District is the trustee, or fiduciary, for the Student Extracurricular Fund. This report includes the activities in a separate Statement of Net Assets and Statement of Changes in Fiduciary Net Assets because the District cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

The budgetary comparison schedules show how actual revenues and expenditures compared to the original and final budgets for revenues and expenditures. There were no significant variances.

THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. However, there are other nonfinancial factors that influence the District's fiscal health, such as declining enrollment, changes in the state's funding of education costs, changes in the economy, energy costs, health care costs, maintenance expense on an aging facility, changes in the District's tax base, etc.

ANALYSIS OF FINANCIAL INFORMATION

Facility maintenance and operation budgets have been cut over the years to retain teaching staff. Teaching staff, support staff and custodial staff have been reduced. The District does receive ESEA Title I funds. Small Rural School funds were used to help meet technology needs of the District.

There were no major construction or improvement projects. Various funds are being used for building/property maintenance.

The District has no bonded debt. Capital Assets are comprised of land, buildings, two vehicles and miscellaneous equipment. The District contracts for bus services and does not own any school buses.

THE FUTURE OF THE DISTRICT

The FY 01 District ANB enrollment was 190. The current 14-15 actual enrollment at this time is 54 students. It is hard to predict what changes will occur in school funding and what the impact will be to the District and local taxpayers. The District currently has implemented combination classes. The grade combinations for FY 13-14 were K/1, 2/3, 4/5 and grade 6 was transitioned into the 7/8 level. Any further reductions in teaching staff may impact accreditation standards. Decisions for staffing for FY 15-16 are not final.

Current concerns for all public or private business are energy costs, health insurance and liability/property insurance expenses. While trying to reduce health insurance costs, it usually results in reduced benefits to employees.

It is imperative that the District stay current with technology trends and stay on an equipment replacement schedule. Various grant funds are utilized to assist in reaching goals in the District's technology plan.

Appropriate maintenance of the school building is a continuing goal because of the age of the facility. A Building Reserve Levy was approved by voters in May of 2007. The levy approved was \$40,000 per year for ten years (\$400,000). The Board voted to not assess the Building Reserve levy for FY 13-14 for various reasons. Protested taxes, primarily by utility companies, have impacted levied funds. In the FY 14-15 General Fund budget excess reserves were established, due to the payment of some prior year protested taxes.

The District is not aware of any economic or development factors that would significantly increase the student enrollment or contribute to community development.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hysham School District No. 1
Treasure County
Hysham, 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 Hysham School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hysham School District No. 1 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 5) and the schedule of funding for other post-employment benefits other than pensions (page 25) and budgetary comparison information (pages 26 - 28) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hysham School District No. 1's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 29) and schedule of reported enrollment (page 30) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2015 on our consideration of Hysham School District No. 1 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 Hysham School District No. 1 internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 7, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 778,060
Taxes Receivable	53,118
Due From Other Governments	<u>1,308</u>
Total Current Assets	<u>832,486</u>
Noncurrent Assets:	
Capital Assets:	
Land	100,800
Net Depreciable Assets	<u>803,324</u>
Total Noncurrent Assets	<u>904,124</u>
Total Assets	<u>\$ 1,736,610</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>\$ 3,989</u>
Total Current Liabilities	<u>3,989</u>
Noncurrent Liabilities:	
Long-Term Obligations	25,820
Compensated Absences	<u>59,568</u>
Total Noncurrent Liabilities	<u>85,388</u>
Total Liabilities	<u>89,377</u>
NET POSITION:	
Net investment in capital assets	904,124
Restricted	561,045
Unrestricted (Deficit)	<u>182,064</u>
Total Net Position	<u>1,647,233</u>
Total Liabilities and Net Position	<u>\$ 1,736,610</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 825,272	\$ 19,606	\$ 54,066	\$ (751,600)
Support Services	63,431	-	-	(63,431)
Educational Media Services	272	-	-	(272)
General Administrative Services	186,294	-	-	(186,294)
Operation & Maintenance Services	184,332	-	-	(184,332)
Transportation Services	136,072	-	34,451	(101,621)
School Food Services	90,114	11,828	20,756	(57,530)
Extracurricular	79,945	-	-	(79,945)
Unallocated Depreciation Expense *	44,076	-	-	(44,076)
Total Governmental Activities	<u>1,609,808</u>	<u>31,434</u>	<u>109,273</u>	<u>(1,469,101)</u>
GENERAL REVENUES				
District Levies				571,804
State Equalization				436,732
Other State Revenues				201,448
County				124,536
Interest				1,679
Other				12,781
Total General Revenues				<u>1,348,980</u>
Change in Net Position				(120,121)
Net Position				
Beginning of the Year				<u>1,767,354</u>
End of the Year				<u>\$ 1,647,233</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR			
	General	Transportation	Retirement	Miscellaneous Programs
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 228,178	\$ 59,695	\$ 44,185	\$ 134,704
Taxes Receivable	43,263	7,043	-	-
Due From Other Governments	-	-	-	-
Total Assets	\$ 271,441	\$ 66,738	\$ 44,185	\$ 134,704
LIABILITIES:				
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	43,263	7,043	-	-
Total Deferred Inflows of resources	43,263	7,043	-	-
FUND BALANCE:				
Fund Balances:				
Restricted	-	59,695	44,185	134,704
Unassigned:	228,178	-	-	-
Total Fund Balance	228,178	59,695	44,185	134,704
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 271,441	\$ 66,738	\$ 44,185	\$ 134,704

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

BALANCE SHEET
 GOVERNMENTAL FUNDS (continued)
 as of June 30, 2014

	<u>MAJOR</u>		
	Building Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 229,308	\$ 81,990	\$ 778,060
Taxes Receivable	2,812	-	53,118
Due From Other Governments	-	1,308	1,308
Total Assets	<u>\$ 232,120</u>	<u>\$ 83,298</u>	<u>\$ 832,486</u>
LIABILITIES:			
Total Liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Taxes Receivable	2,812	-	53,118
Total Deferred Inflows of resources	<u>2,812</u>	<u>-</u>	<u>53,118</u>
FUND BALANCE:			
Fund Balances:			
Restricted	229,308	83,298	551,190
Unassigned:	-	-	228,178
Total Fund Balance	<u>229,308</u>	<u>83,298</u>	<u>779,368</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 232,120</u>	<u>\$ 83,298</u>	<u>\$ 832,486</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 779,368
Governmental Capital Assets	904,124
Long-term Liabilities	
Long-Term Obligations	(25,820)
Compensated Absences	(63,557)
Unavailable Property Taxes Receivable	<u>53,118</u>
Net Position of Governmental Activities	<u>\$ 1,647,233</u>

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

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

	MAJOR			
	General	Transportation	Retirement	Miscellaneous Programs
REVENUES:				
District Levies	\$ 604,615	\$ 117,123	\$ -	\$ -
Interest	484	101	111	95
Charges for Services	-	-	-	-
Other	100	-	-	8,579
County	-	17,226	124,536	-
State	644,480	22,979	-	4,623
Federal	-	-	-	51,399
Total Revenues	<u>1,249,679</u>	<u>157,429</u>	<u>124,647</u>	<u>64,696</u>
EXPENDITURES:				
Current				
Instructional Services	617,401	-	134,318	60,735
Support Services	55,938	-	7,493	-
Educational Media Services	272	-	-	-
General Administrative Services	162,263	2,558	16,591	1,103
Operation & Maintenance Services	164,669	-	5,756	-
Transportation Services	-	136,072	-	-
School Food Services	52,413	-	3,862	-
Extracurricular	76,039	-	3,906	-
Capital Outlay	6,944	-	-	-
Total Expenditures	<u>1,135,939</u>	<u>138,630</u>	<u>171,926</u>	<u>61,838</u>
NET CHANGES IN FUND BALANCES	113,740	18,799	(47,279)	2,858
FUND BALANCE:				
Beginning of the Year	114,438	40,896	91,464	131,846
End of the Year	<u>\$ 228,178</u>	<u>\$ 59,695</u>	<u>\$ 44,185</u>	<u>\$ 134,704</u>

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

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

	MAJOR		
	Building Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES:			
District Levies	\$ 6,633	\$ -	\$ 728,371
Interest	663	225	1,679
Charges for Services	-	14,228	14,228
Other	-	4,102	12,781
County	-	-	141,762
State	-	3,337	675,419
Federal	-	20,615	72,014
Total Revenues	<u>7,296</u>	<u>42,507</u>	<u>1,646,254</u>
EXPENDITURES:			
Current			
Instructional Services	-	6,060	818,514
Support Services	-	-	63,431
Educational Media Services	-	-	272
General Administrative Services	-	-	182,515
Operation & Maintenance Services	4,983	-	175,408
Transportation Services	-	-	136,072
School Food Services	-	33,509	89,784
Extracurricular	-	-	79,945
Capital Outlay	-	-	6,944
Total Expenditures	<u>4,983</u>	<u>39,569</u>	<u>1,552,885</u>
NET CHANGES IN FUND BALANCES	2,313	2,938	93,369
FUND BALANCE:			
Beginning of the Year	<u>226,995</u>	<u>80,360</u>	<u>685,999</u>
End of the Year	<u>\$ 229,308</u>	<u>\$ 83,298</u>	<u>\$ 779,368</u>

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

Hysham School District No. 1
Treasure County
Hysham, Montana 59038

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

Net Changes in Fund Balance		\$	93,369
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(156,567)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(52,686)		
(Increase) decrease in Other Post Employment Benefits	(5,164)		
(Increase) decrease in compensated absence liability	<u>(6,017)</u>		(63,867)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays			<u>6,944</u>
Change in net position reported on the Statement of Activity		\$	<u>(120,121)</u>

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

Hysham School District No. 1
 Treasure County
 Hysham, Montana 59038

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

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 69,743
Total Assets	<u>69,743</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Restricted for Student Activities	<u>69,743</u>
Total Net Position	<u>\$ 69,743</u>

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

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Revenues from Student Activities	\$ 49,598
Total Additions	<u>49,598</u>
DEDUCTIONS:	
Expenses of Student Activities	<u>53,959</u>
Total Deductions	<u>53,959</u>
CHANGE IN NET POSITION	(4,361)
NET POSITION:	
Beginning of the Year	<u>74,104</u>
End of the Year	<u>\$ 69,743</u>

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

HYSHAM SCHOOL DISTRICT NO. 1

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Hysham School District No. 1 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following:

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

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

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

The School District provides education for kindergarten through high school district. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The Hysham School District No. 1 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Hysham School District No. 1 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria the School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

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

HYSHAM SCHOOL DISTRICT NO. 1

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

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

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

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

- Charges for services such as school lunch fees and fees for drivers' education.
- Operating grants that are restricted to a particular functional program.

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

1. b. 2 FUND ACCOUNTING

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

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

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

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

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

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

HYSHAM SCHOOL DISTRICT NO. 1

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

- Transportation Fund – This fund is used to account for financing the maintenance and operation of School District owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.
- Retirement Fund – This fund is used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.
- Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

1. b. 3 OTHER FUND TYPES

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

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

1. c. 1 CASH AND INVESTMENTS

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

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

1. c. 2 TAXES

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

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

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

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

HYSHAM SCHOOL DISTRICT NO. 1

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

1. c. 4 CAPITAL ASSETS

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

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

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees may accrue up to 60 days of sick live, however, only 25% of accumulated sick leave is paid at the employee's current salary.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$ 3,989 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

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

HYSHAM SCHOOL DISTRICT NO. 1

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

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 12,722
Operations and Maintenance	18,508
Student Transportation	59,695
School Food	13,801
Third Party Grantor Restrictions	134,704
Employer Retirement Benefits	57,314
Future Technology	25,138
Future Capital Costs	<u>229,308</u>
Total	<u>\$ 551,190</u>

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

1.d. 2 COUNTY PROVIDED SERVICES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ <u>778,060</u>	\$ <u>69,743</u>	\$ <u>847,803</u>

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

	<u>Amount</u>
Cash on Hand	\$ 950
Demand Accounts	69,042
County Investment Pool	<u>777,811</u>
Total	<u>\$ 847,803</u>

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

HYSHAM SCHOOL DISTRICT NO. 1

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

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Treasure County and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$4,616,192. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	109.58	\$ 43,263
Transportation*	22.69	7,043
Building Reserve*	<u>0</u>	<u>2,812</u>
Total	<u>132.27</u>	<u>\$ 53,118</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	\$ 141	State of Montana – OPI	State share
Traffic Education	1,167	State of Montana – OPI	State share
Total	<u>\$ 1,308</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	\$ 100,800	\$ 0	\$ 100,800
<u>Depreciable:</u>			
Buildings	\$ 2,219,966	\$ 0	\$ 2,219,966
Improvements other than buildings	55,840	0	55,840
Machinery and equipment	101,495	6,944	108,439
Total Depreciable	<u>\$ 2,377,301</u>	<u>\$ 6,944</u>	<u>\$ 2,384,245</u>
<u>Accumulated Depreciation:</u>			
Buildings	\$ (1,440,891)	\$ (44,076)	\$ (1,484,967)
Improvements other than buildings	(26,471)	(2,792)	(29,263)
Machinery and equipment	(60,873)	(5,818)	(66,691)
Total Depreciation	<u>\$ (1,528,235)</u>	<u>\$ (52,686)</u>	<u>\$ (1,580,921)</u>
Net Depreciable Assets	<u>849,066</u>	<u>(45,742)</u>	<u>803,324</u>
Net General Capital Assets	<u>\$ 949,866</u>	<u>\$ (45,742)</u>	<u>\$ 904,124</u>

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

<u>Function</u>	<u>Amount</u>
Operation & Maintenance	8,610
Unallocated	44,076
Total Depreciation Expense	<u>\$ 52,686</u>

HYSHAM SCHOOL DISTRICT NO. 1

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

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	\$ 57,540	\$ 6,017	\$ 63,557	\$ 3,989
Other Post-Employment Benefits (OPEB)	20,656	5,164	25,820	0
Total Governmental Activities - Long-Term Debt:	<u>\$ 78,196</u>	<u>\$ 11,181</u>	<u>\$ 89,377</u>	<u>\$ 3,989</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 43,263	Taxes Receivable
Transportation*	7,043	Taxes Receivable
Building Reserve*	<u>2,812</u>	Taxes Receivable
Total	<u>\$ 53,118</u>	

* Denotes Major Funds

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$7,458 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of July 1, 2012 was as follows:

Actuarial Accrued Liability (AAL)	\$ 32,251
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>32,251</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 722,507
UAAL as a percentage of covered payroll	4%

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

Annual Required Contribution (ARC)	\$ 5,164
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	5,164
Contribution made	<u>0</u>
Increase in net OPEB obligation	5,164
Net OPEB obligation - beginning of year	<u>20,656</u>
Net OPEB obligation - end of year	<u>\$ 25,820</u>

HYSHAM SCHOOL DISTRICT NO. 1

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

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	3.00%
Average Salary Increase	2.00%
Health care cost rate trend	
Year	% Increase
2014 and after	3.00%

NOTE 9. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums assessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 10. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 102,522	\$ 99,560	\$ 120,522
PERS	14,425	13,958	15,964
Total	<u>\$ 116,947</u>	<u>\$ 113,518</u>	<u>\$ 136,486</u>

HYSHAM SCHOOL DISTRICT NO. 1

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

NOTE 11. COOPERATIVE

11. a. SPECIAL EDUCATION

The Hysham School District No. 1 is a member of the Eastern Yellowstone Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Hysham School District No. 1, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Yellowstone County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 12. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 13. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

13 a. HYSHAM/CUSTER ALL-SPORTS COOPERATIVE

The School District has entered into an agreement with Custer School District to provide high school and junior high school football, volleyball, boys' and girls' basketball, and boy's and girls' track. All costs are to be split equally between the districts and the Custer School District will provide for the accounting within their accounting records. The "All-Sports Cooperative account" will initially be funding by \$5,000 from each school and students participating in sports programs will pay a participating fee which will be deposited into the account. The Interlocal Agreement begins with the 2013-2014 school year and will continue through the 2015-2016 school year.

NOTE 14. TRANSPORTATION

The School District entered into an operating lease with Clifton Bus Lines for its student transportation needs. Clifton Bus Lines' provides buses, drivers, and maintenance of the buses for all student transportation needs of the School District. The contract is renewed annually with adjustments for fuel and mileage. Transportation fees paid in fiscal year 2014 were \$ 171,359.

HYSHAM SCHOOL DISTRICT NO. 1

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	\$ 0	\$ 32,251	\$ 32,251	0%	\$ 722,507	4%

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

Hysham School District No. 1
 Treasure County
 Hysham, Montana 59038

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

	General			Transportation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 505,850	\$ 505,850	\$ 604,615	\$ 104,741	\$ 104,741	\$ 117,123
Interest	656	656	484	-	-	101
Other	-	-	100	-	-	-
County	-	-	-	22,105	22,105	17,226
State	644,480	644,480	644,480	27,858	27,858	22,979
Total Revenues	<u>1,150,986</u>	<u>1,150,986</u>	<u>1,249,679</u>	<u>154,704</u>	<u>154,704</u>	<u>157,429</u>
EXPENDITURES:						
Current						
Instructional Services			617,401			-
Support Services			55,938			-
Educational Media Services			272			-
General Administrative Services			162,263			2,558
Operation & Maintenance Services			164,669			-
Transportation Services			-			136,072
School Food Services			52,413			-
Extracurricular			76,039			-
Capital Outlay			6,944			-
Total Expenditures	<u>1,150,986</u>	<u>1,150,986</u>	<u>1,135,939</u>	<u>163,000</u>	<u>163,000</u>	<u>138,630</u>
NET CHANGES IN FUND BALANCES	-	-	113,740	(8,296)	(8,296)	18,799
FUND BALANCE:						
Beginning of the Year			<u>114,438</u>			<u>40,896</u>
End of the Year			<u>\$ 228,178</u>			<u>\$ 59,695</u>

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

Hysham School District No. 1
 Treasure County
 Hysham, Montana 59038

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

	Retirement		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	111
Other	-	-	-
County	124,536	124,536	124,536
State	-	-	-
Total Revenues	<u>124,536</u>	<u>124,536</u>	<u>124,647</u>
EXPENDITURES:			
Current			
Instructional Services			134,318
Support Services			7,493
Educational Media Services			-
General Administrative Services			16,591
Operation & Maintenance Services			5,756
Transportation Services			-
School Food Services			3,862
Extracurricular			3,906
Capital Outlay			-
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>171,926</u>
NET CHANGES IN FUND BALANCES	(55,464)	(55,464)	(47,279)
FUND BALANCE:			
Beginning of the Year			<u>91,464</u>
End of the Year			<u>\$ 44,185</u>

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

HYSHAM SCHOOL DISTRICT NO. 1

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 GENERAL BUDGET POLICIES:

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

1. a. 2 BUDGET OPERATION:

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

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

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

HYSHAM SCHOOL DISTRICT NO. 1

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

<u>Activity Account Name</u>	<u>Beginning Balance 7/1/2013</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance 6/30/2014</u>
CLASS OF 2011	\$ 124	\$ 0	\$ 0	\$ 0	\$ 124
CLASS OF 2012	285	0	0	0	285
CLASS OF 2013	703	0	0	0	703
CLASS OF 2014	5,222	637	5,330	0	529
CLASS OF 2015	2,013	4,298	3,370	0	2,941
CLASS OF 2016	1,143	1,410	785	0	1,769
CLASS OF 2017	974	1	-	0	974
CLASS OF 2018	294	356	213	0	437
CLASS OF 2019	0	588	356	0	232
GRADE SCHOOL	3,577	169	324	0	3,422
ATHLETICS	19,662	12,343	13,286	0	18,718
PEP CLUB	3,286	5,682	3,477	(900)	4,591
DRAMA	3,597	130	149	0	3,578
FFA	5,797	8,430	9,671	0	4,557
FOOTBALL	87	425	400	0	112
HONOR SOCIETY	983	549	724	0	809
LEGISLATIVE TRIP	1,851	1,101	580	0	2,372
LIBRARY	1,964	676	624	0	2,016
MUSIC	3,497	278	893	0	2,882
REVOLVING	475	314	344	0	446
SCHOLARSHIP FUND	1,236	2	0	0	1,238
SCIENCE CLUB	1,405	1,275	995	0	1,686
SHOP	383	231	231	0	383
SPANISH CLUB	990	451	316	0	1,125
STUDENT COUNCIL	1,726	550	964	0	1,312
YEARBOOK	3,431	2,137	3,069	900	3,398
CONCESSIONS	3,766	5,508	6,479	0	2,794
DUES & FEES (MHSA)	4,739	6	0	0	4,745
BPA	0	2,051	1,279	0	771
CHEMNET	194	0	100	0	94
CASH ON HAND	700	0	0	0	700
Total	<u>\$ 74,104</u>	<u>\$ 49,598</u>	<u>\$ 53,959</u>	<u>\$ 0</u>	<u>\$ 69,743</u>

HYSHAM SCHOOL DISTRICT NO. 1

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	6	6	0
Grade 1 - 6	29	29	0
Grade 7 - 8	<u>7</u>	<u>7</u>	<u>0</u>
Total	<u>42</u>	<u>42</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	6	6	0
Grade 1 - 6	29	29	0
Grade 7 - 8	<u>8</u>	<u>8</u>	<u>0</u>
Total	<u>43</u>	<u>43</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	6	6	0
Grade 1 - 6	30	30	0
Grade 7 - 8	<u>8</u>	<u>8</u>	<u>0</u>
Total	<u>44</u>	<u>44</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

STROM & ASSOCIATES, PC
Certified Public Accountants
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hysham School District No. 1
Treasure County
Hysham, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hysham School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hysham School District No. 1's basic financial statements and have issued our report thereon dated May 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hysham School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hysham School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 7, 2015

HYSHAM SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year-Ended June 30, 2014

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.