

ROSEBUD SCHOOL DISTRICT NO. 12

**ROSEBUD COUNTY
ROSEBUD, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
PO BOX 1980
Billings, Montana 59103

Rosebud School District No. 12
 Rosebud County
 Rosebud, Montana 59347

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Rosebud School District No. 12
Rosebud County
Rosebud, Montana 59347

ORGANIZATION

BOARD OF TRUSTEES

Kimberly Wheadon	Chair
Randy Kraus	Vice Chair
Dean Sleaford	Trustee
Ace Beeler	Trustee
Kristin Buck	Trustee

OFFICIALS

Matthew Kleinsasser	Superintendent
Stacy Montgomery	District Clerk
Joby Parker	County Superintendent
Christine White	County Attorney

**ROSEBUD PUBLIC SCHOOL
SCHOOL DISTRICT NO.12
ROSEBUD COUNTY
ROSEBUD, MONTANA 59347-0038**

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Fiscal year-ending: June 30, 2014

Business Manager/Clerk and the Superintendent of the Rosebud Schools has provided this Management Discussion and Analysis (MD&A) report to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

FINANCIAL HIGHLIGHTS

The Districts financial position remained stable in 2013. The Rosebud School District did not run a mill levy in May.

The Rosebud School District remains obligated and is still paying for the School Building Bonds approved by voters in the 2005 School Election in the amount of \$243,000 in the Elementary as well as \$243,000 in the High School.

USING THIS FINANCIAL REPORT

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

REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

1. REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

The fund statements report balances and activities of the most significant, or “major” funds separately and combine the activities of less significant funds under a single category. Significance of the funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school districts’ operations, and the existence of legal budget requirements. Internal service funds are never reported as major funds, but are combined and presented in a separate column.

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

**The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are shown proprietary (business-type) funds, covering districts activities that generally provide services on a cost-recovery basis between various funds of the district, such as [state what your district uses them for, such as centralized printing services and purchasing operations]. Proprietary funds use the accrual basis of accounting.

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

2. REPORTING THE DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITIES

The district is the trustee, or fiduciary, for: endowments and the student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position 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.

BUDGET TO ACTUAL COMPARISONS

The budgetary comparison schedules show how actual expenditures are compared to the original and final budgeted expenditures for the general funds. The following significant variance between the final expenditure budgets and the actual expenditures exist: General Fund and Transportation Services –

Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds for the Fiscal Year Ending June 2014

	GENERAL FUND (Original & Final)		TRANSPORATION FUND (Original & Final)	
*REVENUES	BUDGET	ACTUAL	BUDGET	ACTUAL
District Levies	422612	410911	137115	133162
Interest Earnings	5638	2776	0	261
Other Local & District Services	0	918	0	0
County Services	0	0	20656	12164
State Sources	657118	657118	27058	18414
Total Revenues	1085368	1071722	184829	164002
*EXPENDITURES				
Instructional Services		673603		
Support Services		10150	0	0
Education Media Services	14153	23602	0	0
General Administrative Services		165716	55160	55160
Operation & Maintenance		152532	0	0
Transportation Services		34764	139840	112685
Extra Curricular		32660	0	0
School Food Services		17614	0	0
Total Current Changes	(24183)	(29471)	(10171)	(3843)
CAPITOL OUT-LAY			0	0
TOTAL EXPENDITURES	1109551	1101193	195000	167844
Excess (deficiency)				
NET CHANGE IN FUND BALANCE	(24183)	(29471)	(10171)	(10171)
Beginning Fiscal Year Fund Balance		181570	49171	49171
Reserved for Encumbrances		0		0
Ending Fiscal Year Fund Balance		152099		45328

3. THE DISTRICT AS A WHOLE

The information in the government wide financial statements determines whether the district is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, including reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies. The change in net position over time is an indication of whether the district's financial health is improving or deteriorating. There are also other non-financial factors that influence the districts fiscal health, such as enrollment changes, changes in the State's funding or educational costs, changes in the economy, or changes in the districts tax bases.

NET POSITION

GOVERNMENTAL ACTIVITIES:

	2014	2013	\$ CHANGE	% CHANGE	2013	2012	\$ CHANGE	% CHANGE
Current Assets	848,920	854,314	-5,394	-0.63	854,314	746,442	107,873	14.45
Capital Assets, Net	666,405	705,674	-65,526	-8.50	705,674	771,200	-65,526	-8.50
TOTAL AS- SETS	1,515,325	1,559,988	-44,663	-2.86	1,559,988	1,517,642	43,347	2.79
Current Liabilities	7,938	4,417	3,521	79.71	4,417	2,862	1,555	54.33
Long-Term Liabilities	167,164	211,003	-43,839	-20.78	211,003	466,964	-255,961	-54.81
TOTAL LIA- BILITIES	175,102	215,420	-40,318	-18.72	215,420	469,826	-254,406	-54.15
<u>NET POSI- TION</u>								
Invested in Capital Assets Net of Related Debt.	606,405	585,674	20,731	3.54	585,674	601,200	-15,526	-2.58
Restricted	639,271	614,911	24,360	3.96	614,911	1,850	613,061	33138.42
Unrestricted	94,547	143,984	-49,437	-34.34	143,984	444,766	-300,782	-67.63
TOTAL NET POSITION	1,340,223	1,344,569	-4346	-0.32	1,344,569	1,047,816	296,753	28.32

1. General and Program Revenues:

The schedule on the next page contains more information regarding the Rosebud Schools' Changes in Net Position

CHANGES IN NET POSITION

	2014	2013	\$ CHANGE	% CHANGE	2013	2012	\$ CHANGE	% CHANGE
Program Revenues:								
Charges for Services	10,673	10,503	170	1.62	10,503	10,224	278	2.72
Operating Grants	199,075	180,316	18,759	10.40	180,316	154,322	25,944	16.84
General Revenues:								
District Levy	732,536	725,976	6,560	.90	305,373	681,847	-376,473	-55.21
State Equalization	445,490	422,953	22,537	5.33	422,953	404,571	18,382	4.54
Other State Revenue	173,928	226,044	-52,116	-23.06	-413,482	278,397	-691,879	-248.52
County	152,707	117,578	35,129	29.88	117,578	138,503	-20,925	-15.11
OPEB/Federal	0	0	0	0	210,521	0	210,521	100.00
Investment Earnings	5,751	11,458	-5,707	-49.81	6,739	7,319	-579	-7.92
Other	40,206	26,340	13,866	52.64	59,004	16,126	42,878	265.90
TOTAL REVENUES	1,760,366	1,721,168	39,198	2.28	899,506	1,691,783	-792,277	-46.83
Program Expenses:								
Instruction	952,617	878,893	73,724	8.39	878,893	828,887	-50,006	-6.03
Support	39,028	6,388	32,640	510.96	6,388	17,293	10,904	63.06
Media	16,196	25,877	-9,681	-37.41	25,877	37,063	11,187	30.18
Administration	254,526	226,546	27,980	12.35	173,243	359,614	186,371	51.83
O & M	229,388	228,167	1,221	.54	228,167	186,201	-41,966	-22.54
Transportation	173,353	171,736	1,617	.94	54,761	138,394	83,633	60.43
Extra Curricular	35,949	34,621	1,328	3.84	34,621	37,692	3,071	8.15
School Food	60,101	55,723	4,378	7.86	55,723	55,878	155	.28
OPEB/ Depreciation - unallocated	0	13,036	-13,036	-100.00	0	87,555	87,555	100.00
Interest	3,553	6,985	-3,432	-49.14	6,985	8,760	1,775	20.26
TOTAL EXPENSES	1,764,711	1,647,972	116,739	7.08	1464,658	1,757,336	292,678	16.65
CHANGES IN NET POSITION	-4,345	73,196	-77,541		-565,153	-65,554		

**ROSEBUD SCHOOLS
END OF YEAR REVENUES & EXPENSES
STUDENT ACTIVITY FUND
JUNE 30TH, 2014**

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
REVOLVING	-189	813	595	29
ATHLETICS	7436	14221	14119	7538
BRIER	837	1946	2072	710
DRAMA	1168	1	0	1170
FFA	8950	11018	10342	9626
FCCLA	0	0	0	0
BAND	569	2547	1877	1240
PEP CLUB	674	1458	2044	88
MOTOR COACH FUND	2430	258	149	2539
STUDENT COUNCIL	295	4141	4260	176
CARNIVAL	-43	853	21	788
CLASS OF 2016	1919	1427	868	2477
CLASS OF 2015	1363	1271	1385	1249
ACADEMIC CHALLENGE	14	0	0	14
CLASS OF 2012	0	0	0	0
CLASS OF 2014	2328	890	3011	207
HONOR SOCIETY	1075	1	274	802
CLASS OF 2017	1390	1013	309	2094
VOLLEYBALL	38	29	0	67
CLASS OF 2018	399	100	112	387
LIBRARY	313	707	797	223
ELEM STUDENT COUNCIL	457	119	318	258
CHEERLEADER	78	0	0	78
GIRLS BASKETBALL	70	260	286	44
BOYS BASKETBALL	6	0	0	6
SIX MAN FOOTBALL	408	0	0	409
SAAD	27	0	0	27
REACT GROUP	2386	722	500	2608
SCIENCE FAIR BOARDS	227	0	0	227
ART FUND	672	26	66	631
SCHIFFER MEMORIAL	382	0	0	382
FARNUM MEMORIAL	201	1	0	201
FFA II	3122	3	0	3126
CLASS OF 2013	43	0	43	0
BPA	184	1	0	185
ELEM PLAYGROUND	8105	47	8152	0
SUBTOTAL	47334	42773	50500	39607
Less Transfers		1100	1100	
TOTAL	47334	43873	51600	39607

2. Changes in Finances Caused by Changes in Programs

Budgets have been getting tighter every year in Rosebud. The districts federal program awards remain about the same. More of the General Fund budget goes to salary and benefits each year.

3. Identifying and Resolving Financial Difficulties

The District did not have any budget problems or errors that significantly impacted any fund.

4. Significant Events and Trends

Declining enrollment has been an ongoing battle within the district for several years. Every year our district holds budget meetings to prepare for worse case scenarios in case our mill levy elections do not pass and worse case scenarios usually involve combining classes and possible riffs.

ANALYSIS OF FINANCIAL INFORMATION

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

1. What does the School Do?

Rosebud School is dedicated to educating the children enrolled, therefore the costs towards running the school revolve around instruction and supporting the instruction of the students, transporting children to and from school, providing a nutritious lunch program, and continuously upgrading our technology programs and equipment as well as with some extra-curricular activities.

2. Where Do the Resources Come From?

The majority of the Rosebud School's revenues come from property taxes and state aid. The Rosebud Schools participates in federal programs which are based upon free and reduced lunch applications; Rosebud School also receives funding through Carl Perkins and the State Vocational Education Grants.

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

The capital assets of the district include buildings, land, machinery, and, equipment. The debt of the district includes depreciation and school bonds.

4. Fund Deficits

Rosebud Schools have no fund deficits at year end

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

Declining enrollment in the Rosebud Schools will have the biggest effect on the district's future, however, sound instruction and continuously upgraded technology (computers, ITV, online courses etc.) and software the district will continue to provide students enrolled with an excellent and challenging education that prepares them for college. Currently, about 38% of our students come from out-of-district. This includes exchange students as well as students from neighboring districts whose parents choose to have them attend school in Rosebud. This provides a significant increase in budget authority and is important to the financial well being of the schools. Having this enrollment trend continue is important to the financial health of the school districts.

CONTACT FOR FURTHER INFORMATION

Matt Kleinsasser, Superintendent
mkleinsasser@rosebudschooldist.com

Stacy Montgomery,
Business Manager/District Clerk
smontgomery@rosebudschooldist.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rosebud School District No. 12
Rosebud County
Rosebud, Montana 59347

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 Rosebud School District No. 12 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 Rosebud School District No. 12 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 (pages 3 - 10) and the schedule of funding for other post-employment benefits other than pensions (pages 34) and budgetary comparison information (pages 35 - 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 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 Rosebud School District No. 12's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 39) and schedule of reported enrollment (page 40) 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 June 9, 2015 on our consideration of Rosebud School District No. 12 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 Rosebud School District No. 12 internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
June 9, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 742,484
Taxes Receivable	92,309
Due From Other Governments	<u>14,127</u>
Total Current Assets	<u>848,920</u>
Capital Assets:	
Net Depreciable Assets	<u>666,405</u>
Total Noncurrent Assets	<u>666,405</u>
Total Assets	<u>\$ 1,515,325</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>\$ 7,938</u>
Total Current Liabilities	<u>7,938</u>
Noncurrent Liabilities:	
Long-Term Obligations	65,180
Compensated Absences	41,984
Long-Term Capital Obligations	<u>60,000</u>
Total Noncurrent Liabilities	<u>167,164</u>
Total Liabilities	<u>175,102</u>
NET POSITION:	
Net investment in capital assets	606,405
Restricted	639,271
Unrestricted (Deficit)	<u>94,547</u>
Total Net Position	<u>1,340,223</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,515,325</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	\$ 952,617	\$ 1,625	\$ 147,372	\$ (803,621)
Support Services	39,028	-	-	(39,028)
Educational Media Services	16,196	-	-	(16,196)
General Administrative Services	254,526	-	1,708	(252,818)
Operation & Maintenance Services	229,388	-	3,563	(225,825)
Transportation Services	173,353	-	24,176	(149,177)
School Food Services	60,101	9,048	22,256	(28,797)
Extracurricular	35,949	-	-	(35,949)
Debt Service	-	-	-	-
Interest and other charges	3,553	-	-	(3,553)
Total Governmental Activities	<u>1,764,711</u>	<u>10,673</u>	<u>199,075</u>	<u>(1,554,963)</u>
GENERAL REVENUES				
District Levies				732,536
State Equalization				445,490
Other State Revenues				173,928
County				152,707
Interest				5,751
Other				40,206
Total General Revenues				<u>1,550,617</u>
Change in Net Position				<u>(4,345)</u>
Net Position				
Beginning of the Year				<u>1,344,568</u>
End of the Year				<u>\$ 1,340,223</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.

Rosebud School District No. 12
 Rosebud County
 Rosebud, MT 59347

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR				
	General	Transportation	Retirement	Miscellaneous Programs	Building Reserve
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 152,178	\$ 45,328	\$ 79,395	\$ 134,650	\$ 110,226
Taxes Receivable	53,441	15,653	-	-	3,997
Due From Other Governments	-	-	-	14,127	-
Total Assets	\$ 205,619	\$ 60,982	\$ 79,395	\$ 148,778	\$ 114,223
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	53,441	15,653	-	-	3,997
Total Deferred Inflows of resources	53,441	15,653	-	-	3,997
FUND BALANCE:					
Fund Balances:					
Restricted	-	45,328	79,395	148,778	110,226
Unassigned:	152,178	-	-	-	-
Total Fund Balance	152,178	45,328	79,395	148,778	110,226
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 205,619	\$ 60,982	\$ 79,395	\$ 148,778	\$ 114,223

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	Other Governmental Funds	Total Governmental Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 216,676	\$ 738,454
Taxes Receivable	19,217	92,309
Due From Other Governments	-	14,127
Total Assets	\$ 235,894	\$ 844,890
DEFERRED INFLOWS OF RESOURCES		
Unavailable Property Taxes Receivable	19,217	92,309
Total Deferred Inflows of resources	19,217	92,309
FUND BALANCE:		
Fund Balances:		
Restricted	216,676	600,403
Unassigned:	-	152,178
Total Fund Balance	216,676	752,581
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 235,894	\$ 844,890

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 752,581
Internal Service Fund Net Position	4,030
Governmental Capital Assets	666,405
Long-term Liabilities	
Long-Term Obligations	(65,180)
Compensated Absences	(49,922)
Long-Term Capital Obligations	(60,000)
Unavailable Property Taxes Receivable	92,309
Net Position of Governmental Activities	\$ 1,340,223

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				
Interest	\$ 410,911	\$ 133,162	\$ -	\$ -
Charges for Services	2,776	261	347	-
Other	-	-	-	-
County	918	-	-	39,288
State	-	12,164	152,707	-
Federal	657,118	18,414	-	12,409
Total Revenues	<u>1,071,723</u>	<u>164,002</u>	<u>153,054</u>	<u>137,330</u>
EXPENDITURES:				
Current				
Instructional Services	674,768	-	136,331	120,159
Support Services	10,150	-	1,656	-
Educational Media Services	14,153	-	2,043	-
General Administrative Services	168,511	55,160	21,327	4,636
Operation & Maintenance Services	155,282	-	9,622	15,972
Transportation Services	34,764	112,685	264	-
School Food Services	17,614	-	3,483	-
Extracurricular	32,660	-	3,288	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	5,000	-	-	-
Total Expenditures	<u>1,112,903</u>	<u>167,844</u>	<u>178,015</u>	<u>150,767</u>
NET CHANGES IN FUND BALANCES	(41,180)	(3,843)	(24,961)	(13,436)
FUND BALANCE:				
Beginning of the Year	193,280	49,171	104,356	162,214
Prior Period Adjustments	79	-	-	-
End of the Year	<u>\$ 152,178</u>	<u>\$ 45,328</u>	<u>\$ 79,395</u>	<u>\$ 148,778</u>

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

Rosebud School District No. 12
 Rosebud County
 Rosebud, MT 59347

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

	Major		
	Building Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES:			
District Levies			
Interest	\$ 29,174	\$ 145,356	\$ 718,604
Charges for Services	749	1,609	5,743
Other	-	10,673	10,673
County	-	-	40,206
State	-	-	164,872
Federal	-	32,755	720,695
Total Revenues	<u>29,923</u>	<u>190,393</u>	<u>1,746,425</u>
EXPENDITURES:			
Current			
Instructional Services			
Support Services	-	(7,815)	923,443
Educational Media Services	-	27,221	39,028
General Administrative Services	-	-	16,196
Operation & Maintenance Services	-	-	249,634
Transportation Services	18,346	-	199,222
School Food Services	-	-	147,712
Extracurricular	-	37,136	58,233
Debt Service	-	-	35,949
Principal			
Interest and other charges	-	60,000	60,000
Capital Outlay	-	3,553	3,553
Total Expenditures	<u>18,346</u>	<u>141,355</u>	<u>1,769,230</u>
NET CHANGES IN FUND BALANCES	11,577	49,038	(22,805)
FUND BALANCE:			
Beginning of the Year	-	-	-
Prior Period Adjustments	98,649	167,795	775,386
End of the Year	\$ <u>110,226</u>	\$ <u>216,676</u>	\$ <u>752,581</u>

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

Rosebud School District No. 12
 Rosebud County
 Rosebud, MT 59347

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		\$	(22,805)
Change in net position from internal service funds			3,478
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			13,933
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(75,529)		
(Increase) decrease in Other Post Employment Benefits	(13,036)		
(Increase) decrease in compensated absence liability	<u>(6,646)</u>		(95,211)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	36,260		
Principal payments on bonds	<u>60,000</u>		<u>96,260</u>
Change in net position reported on the Statement of Activity		\$	<u>(4,345)</u>

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

Rosebud School District No. 12
Rosebud County
Rosebud, MT 59347

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

	<u>MAJOR</u>
	Governmental Activities- Internal Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,030
Total Assets	<u>\$ 4,030</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Unrestricted (Deficit)	<u>4,030</u>
Total Net Position	<u>4,030</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,030</u>

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

Rosebud School District No. 12
 Rosebud County
 Rosebud, MT 59347

STATEMENT OF REVENUES,
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2014

	<u>MAJOR</u>
	Governmental Activities- Internal Service
	<u> </u>
OPERATING REVENUES:	
Charges for Services	4,504
Total Operating Revenues	<u>4,504</u>
OPERATING EXPENSES:	
Purchased services	1,034
Total Operating Expense	<u>1,034</u>
OPERATING INCOME (LOSS)	3,470
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	8
Total nonoperating revenue (expenses)	<u>8</u>
CHANGE IN NET POSITION	3,478
NET POSITION:	
Beginning of the Year	552
End of the Year	<u>\$ 4,030</u>

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

Entity
 County
 City, MT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 4,504
Purchased Services	<u>(1,034)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>8</u>
Net Cash Provided (Used) by Investing Activities	<u>8</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>3,478</u>
BALANCE:	
Beginning of the Year	<u>552</u>
End of the Year	<u>\$ 4,030</u>

RECONCILIATION OF OPERATING INCOME (LOSS)
 TO NET CASH PROVIDED (USED) BY OPERATING
 ACTIVITIES:

Operating Income (Loss)	\$ 3,470
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Other	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,470</u>

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

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

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 51,598	\$ 199,471
Total Assets	<u>51,598</u>	<u>199,471</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	199,471
Total Liabilities	<u>-</u>	<u>199,471</u>
NET POSITION:		
Restricted for Endowment	11,991	
Restricted for Student Activities	39,607	
Total Net Position	<u>\$ 51,598</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 42,773
Contributions to Endowment	1,632
Interest	85
Total Additions	<u>44,489</u>
DEDUCTIONS:	
Expenses of Student Activities	50,501
Student Scholarships	2,479
Total Deductions	<u>52,980</u>
CHANGE IN NET POSITION	(8,490)
NET POSITION:	
Beginning of the Year	60,088
End of the Year	<u>\$ 51,598</u>

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

ROSEBUD SCHOOL DISTRICT NO. 12

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 Rosebud School District No. 12 (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 consists of one legal entity, which provides education for kindergarten through twelfth grade. 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 Rosebud School District No. 12 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 Rosebud School District No. 12 (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 and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

ROSEBUD SCHOOL DISTRICT NO. 12

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

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

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

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

- Charges for services such as school lunch fees and facility rental fees.
- 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, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund 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 principal and interest on general long-term debt and 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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)

ROSEBUD SCHOOL DISTRICT NO. 12

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

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. In the governmental fund financial statements the general fund also includes the activities of the the flexibility fund since the restrictions on those funds are similar to the general fund.
- 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

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the School District, or to other governments, on a cost reimbursement basis. The fund include a central transportation fund. Because all of the services predominately benefit governmental rather than business type functions, they are included with governmental activities in the government-wide financial statements.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the School District's the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available. This fund primarily consists of revenues collected by the County on behalf of other governments.

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 Rosebud County County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

ROSEBUD SCHOOL DISTRICT NO. 12

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

For purposes of the statement of cash flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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.

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 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave for classified staff and certified staff are limited to 90 days. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

ROSEBUD SCHOOL DISTRICT NO. 12

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

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 \$7,938 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.

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	\$ 35,167
Operations and Maintenance	40,615
Student Transportation	45,328
School Food	6,679
Third Party Grantor Restrictions	148,778
Employer Retirement Benefits	79,395
Future Technology	60,720
Future Capital Costs	<u>183,721</u>
Total	<u>\$ 600,403</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 Rosebud County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the Rosebud County Treasurer. No service charges have been recorded by the School District or Rosebud County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Funds</u>	
Cash and Cash Equivalents	<u>\$ 742,484</u>	<u>\$ 251,069</u>	<u>\$ 993,553</u>

ROSEBUD SCHOOL DISTRICT NO. 12

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

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

	<u>Amount</u>
Demand Accounts	39,607
County Investment Pool	<u>953,946</u>
Total	<u>\$ 993,553</u>

Cash resources of the School District are held and managed by the Rosebud County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Rosebud County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreements, U.S. government securities, 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 Rosebud County government. Because of the custodial involvement of the Rosebud County government, and the commingling of cash in County deposits in the name of the Rosebud County Treasurer, full risk classifications according to GASB 40 are available in the Rosebud County's annual report. There is no known maturity and credit rating of the Rosebud County Investment Pool.

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Rosebud 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 \$3,302,490. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	127.95	\$ 53,441
Transportation*	41.52	15,654
Bus Depreciation	9.02	3,183
Adult Education	2.32	1,373
Technology	14.53	6,478
Debt Service	19.40	8,183
Building Reserve*	<u>9.08</u>	<u>3,997</u>
Total	<u>223.82</u>	<u>\$ 92,309</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous *	\$ 3,093	State of MT	SRS grant
Miscellaneous *	3,563	State of MT	Quality schools grant
Miscellaneous *	7,471	State of MT	Title I Part A grant
Total	<u>\$ 14,127</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>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Depreciable:</u>				
Buildings	\$ 1,297,725	\$ 0	\$ 0	\$ 1,297,725
Improvements other than buildings	30,180	0	0	30,180
Machinery and equipment	<u>681,246</u>	<u>36,260</u>	<u>0</u>	<u>717,506</u>
Total Depreciable	<u>\$ 2,009,151</u>	<u>\$ 36,260</u>	<u>\$ 0</u>	<u>\$ 2,045,411</u>

ROSEBUD SCHOOL DISTRICT NO. 12

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

Governmental Activities:	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Accumulated Depreciation:</u>				
Buildings	\$ (853,573)	\$ (21,755)	\$ 0	\$ (875,328)
Improvements other than buildings	(30,180)	0	0	(30,180)
Machinery and equipment	(419,724)	(53,775)	0	(473,499)
Total Depreciation	<u>\$ (1,303,477)</u>	<u>\$ (75,530)</u>	<u>\$ 0</u>	<u>\$ (1,379,007)</u>
Net Depreciable Assets	<u>705,674</u>	<u>(39,270)</u>	<u>0</u>	<u>666,405</u>
Net General Capital Assets	<u>\$ 705,674</u>	<u>\$ (39,270)</u>	<u>\$ 0</u>	<u>\$ 666,405</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 20,629
Operation & Maintenance	28,133
Transportation	26,768
Total Depreciation Expense	<u>\$ 75,530</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 120,000	\$ 0	\$ 60,000	\$ 60,000	\$ 0
Total Bonds and Notes Payable	<u>\$ 120,000</u>	<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 0</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 43,276	\$ 6,646	\$ 0	\$ 49,922	\$ 7,938
Other Post-Employment Benefits (OPEB)	52,144	13,036	0	65,180	0
Total Other Liabilities	<u>\$ 95,420</u>	<u>\$ 19,682</u>	<u>\$ 0</u>	<u>\$ 115,102</u>	<u>\$ 7,938</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 215,420</u>	<u>\$ 19,682</u>	<u>\$ 60,000</u>	<u>\$ 175,102</u>	<u>\$ 7,938</u>

6. b. GENERAL OBLIGATION BONDS

The School District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
EL GO Bonds	8/2005	3.45-5%	10 Years	8/2015	\$ 213,500	\$ 30,000
HS GO Bonds	8/2005	3.45-5%	10 Years	8/2015	213,500	30,000
					<u>\$ 427,000</u>	<u>\$ 60,000</u>

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>Elementary</u>		<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
2015	\$ 0	\$ 577	\$ 0	\$ 577
2016	30,000	578	30,000	578
Totals	<u>\$ 30,000</u>	<u>\$ 1,155</u>	<u>\$ 30,000</u>	<u>\$ 1,155</u>

ROSEBUD SCHOOL DISTRICT NO. 12

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

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 53,441	Taxes Receivable
Transportation	15,654	Taxes Receivable
Bus Depreciation	3,183	Taxes Receivable
Adult Education	1,373	Taxes Receivable
Technology	6,478	Taxes Receivable
Debt Service	8,183	Taxes Receivable
Building Reserve	3,997	Taxes Receivable
Total	<u>\$ 92,309</u>	

* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 79	To include Flexibility fund in General fund
Flexibility	<u>\$ (79)</u>	To include Flexibility fund in General fund
Total	<u>\$ 0</u>	

* Denotes Major Funds

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$9,564 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, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 77,448
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>77,448</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 748,195
UAAL as a percentage of covered payroll	10%

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, 2013.

Annual Required Contribution (ARC)	\$ 13,036
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	13,036
Contribution made	<u>0</u>
Increase in net OPEB obligation	13,036
Net OPEB obligation - beginning of year	<u>52,144</u>
Net OPEB obligation - end of year	<u>\$ 65,180</u>

ROSEBUD SCHOOL DISTRICT NO. 12

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)		5.0%
Average Salary Increase		1.5%
Health care cost rate trend		
Year	% Increase	
2015 and after	3.0%	

NOTE 10. 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 inter-local 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 11. 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	\$ 127,237	\$ 98,768	\$ 115,075
PERS	18,158	19,870	23,229
Total	<u>\$ 145,395</u>	<u>\$ 118,638</u>	<u>\$ 138,304</u>

ROSEBUD SCHOOL DISTRICT NO. 12

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

NOTE 12. COOPERATIVE

12. a. SPECIAL EDUCATION

The Rosebud School District No. 12 is a member of the Big Country 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 Rosebud School District No. 12, 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 Custer 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 13. 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 14. 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.

14 a. MULTIDISTRICT COOPERATIVE

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

14.a.1 INTERLOCAL AGREEMENT FUND

In December 2011 Rosebud School District joined a multidistrict agreement to create a cooperative for the purpose of multi-district MUST health insurance pool for the participating districts. Each participating district is allowed to transfer funds from any budgeted fund to the Cooperative. The amount of funds transferred is limited to an amount not to exceed the direct state aid in support of the respective school district's general fund. Expenditures from the Cooperative may be made in accordance with sections 20-9-703 and 20-9-704, MCA. In fiscal year 2014 Rosebud School District made transfers to the Cooperative from its general fund of \$166,348 and from its adult education fund of \$5,000.

NOTE 15. TRANSPORTATION

The School District contracts bus routes for its student transportation needs to a private contractor. The contractor provides buses, drivers, and maintenance of the buses for all student transportation needs of the School District. The contract is for three years from fiscal year 2013 through 2015. Charges include per mile fees with adjustments for fuel and mileage changes. Transportation fees paid in fiscal year 2014 were \$112,448.

ROSEBUD SCHOOL DISTRICT NO. 12

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

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a / b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a) / c]</u>
7/1/2013	\$ -	\$ 77,448	\$ 77,448	0%	\$ 748,195	10%

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 as of June 30, 2014

	General			Transportation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 422,612	\$ 422,612	\$ 410,911	\$ 137,115	\$ 137,115	\$ 133,162
Interest	5,638	5,638	2,776	-	-	261
Other	-	-	918	-	-	-
County	-	-	-	20,656	20,656	12,164
State	657,118	657,118	657,118	27,058	27,058	18,414
Total Revenues	<u>1,085,368</u>	<u>1,085,368</u>	<u>1,071,722</u>	<u>184,829</u>	<u>184,829</u>	<u>164,002</u>
EXPENDITURES:						
Current						
Instructional Services			673,603	-	-	-
Support Services			10,150	-	-	-
Educational Media Services			14,153	-	-	-
General Administrative Services			165,716	55,160	55,160	55,160
Operation & Maintenance Services			152,532	-	-	-
Transportation Services			34,764	139,840	139,840	112,685
Retirement & Insurance Services			-	-	-	-
School Food Services			17,614	-	-	-
Extracurricular			32,660	-	-	-
Total Expenditures	<u>1,109,551</u>	<u>1,109,551</u>	<u>1,101,193</u>	<u>195,000</u>	<u>195,000</u>	<u>167,844</u>
NET CHANGES IN FUND BALANCES	(24,183)	(24,183)	(29,471)	(10,171)	(10,171)	(3,843)
FUND BALANCE:						
Beginning of the Year			181,570	49,171	49,171	49,171
End of the Year			<u>\$ 152,099</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 45,328</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 as of June 30, 2014

	Retirement			Flexibility		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,290	1,290	347	-	-	1
Other	-	-	-	-	-	-
County	152,707	152,707	152,707	-	-	-
State	-	-	-	-	-	-
Total Revenues	153,997	153,997	153,054	-	-	1
EXPENDITURES:						
Current						
Instructional Services	185,870	185,870	136,331	79	79	-
Support Services	1,656	1,656	1,656	-	-	-
Educational Media Services	2,043	2,043	2,043	-	-	-
General Administrative Services	21,327	21,327	21,327	-	-	-
Operation & Maintenance Services	9,622	9,622	9,622	-	-	-
Transportation Services	264	264	264	-	-	-
Retirement & Insurance Services	3,483	3,483	3,483	-	-	-
School Food Services	3,288	3,288	3,288	-	-	-
Extracurricular	-	-	-	-	-	-
Total Expenditures	227,553	227,553	178,015	79	79	-
NET CHANGES IN FUND BALANCES	(73,556)	(73,556)	(24,961)	(79)	(79)	1
FUND BALANCE:						
Beginning of the Year	104,356	104,356	104,356	79	79	79
End of the Year	\$ 30,800	\$ 30,800	\$ 79,395	\$ -	\$ -	\$ 79

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

ROSEBUD SCHOOL DISTRICT NO. 12

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, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, 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 funds 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.

ROSEBUD SCHOOL DISTRICT NO. 12

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

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

	<u>Sub-fund</u> <u>General</u> <u>Fund</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:			
District Levies	\$ 410,911	\$ 0	\$ 410,911
Interest Earnings	2,776	1	2,777
Other	918	0	918
State Sources	<u>657,118</u>	<u>0</u>	<u>657,118</u>
Total Revenues	<u>\$ 1,071,722</u>	<u>\$ 1</u>	<u>\$ 1,071,723</u>
EXPENDITURES:			
Instructional Services	674,768	0	674,768
Support Services	10,150	0	10,150
Educational Media	14,153	0	14,153
General Administrative	168,511	0	168,511
Operation & Maintenance	155,282	0	155,282
Transportation	34,764	0	34,764
School Food	17,614	0	17,614
Capital	5,000	0	5,000
Extracurricular	<u>32,660</u>	<u>0</u>	<u>32,660</u>
Total Expenditures	<u>\$ 1,112,903</u>	<u>\$ 0</u>	<u>\$ 1,112,903</u>
Net Changes In Fund Balance	(41,181)	1	(41,180)
FUND BALANCE:			
Beginning of the Year	193,280	0	193,280
Prior Period Adjustment	<u>0</u>	<u>79</u>	<u>79</u>
Ending of the Year	<u>152,099</u>	<u>79</u>	<u>152,178</u>

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

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

ROSEBUD SCHOOL DISTRICT No. 12
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Transfers	Ending Balance 6/30/2014
Student Services	(189)	663	595	150	29
Athletics	7,436	14,221	14,083	(36)	7,538
Brier	837	1,946	2,072	-	711
Drama	1,168	1	-	-	1,170
FFA	8,950	10,209	10,342	809	9,626
Band	569	2,547	1,877	-	1,240
Pep Club	674	1,458	2,019	(25)	88
Motor Coach Fund	2,430	257	-	(149)	2,539
Student Council	295	4,115	4,260	26	176
Carnival	(43)	853	21	-	788
Class of 2016	1,919	1,427	431	(438)	2,477
Class of 2015	1,363	1,248	1,385	24	1,249
Academic Challenge	14	-	-	-	14
Honor Society	1,075	1	274	-	802
Class of 2014	2,328	890	2,602	(409)	207
Class of 2017	1,390	993	309	20	2,094
Volleyball	38	0	-	29	67
Class of 2018	399	100	112	-	387
Library	313	707	797	-	223
Class of 2013	43	-	-	(43)	-
Cheerleader	78	0	-	-	78
Girls Basketball	70	260	286	-	44
Boys Basketball	6	-	-	-	6
Six Man Football	408	0	-	-	409
S.A.A.D.	27	-	-	-	27
ReAct	2,386	722	500	-	2,608
Art Fund	672	26	66	-	631
Elem Student Council	457	119	318	-	258
Science Fair Boards	227	0	-	-	227
Schiffer Memorial	382	0	-	-	383
Farnum Memorial	201	0	-	-	201
FFAII	3,122	3	-	-	3,126
Elem Playground	8,105	5	8,152	42	1
BPA	184	0	-	-	185
Total	\$ 47,334	\$ 42,774	\$ 50,501	\$ (0)	\$ 39,607

FALL ENROLLMENT - OCTOBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	4	4	0
Grade 1 - 6	31	31	0
Grade 7 - 8	<u>12</u>	<u>12</u>	<u>0</u>
Total	<u><u>47</u></u>	<u><u>47</u></u>	<u><u>0</u></u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>36</u>	<u>36</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><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></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	5	5	0
Grade 1 - 6	34	34	0
Grade 7 - 8	<u>12</u>	<u>12</u>	<u>0</u>
Total	<u><u>51</u></u>	<u><u>51</u></u>	<u><u>0</u></u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>38</u>	<u>38</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><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></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	5	5	0
Grade 1 - 6	32	32	0
Grade 7 - 8	<u>12</u>	<u>12</u>	<u>0</u>
Total	<u><u>49</u></u>	<u><u>49</u></u>	<u><u>0</u></u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>37</u>	<u>37</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><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

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
Rosebud School District No. 12
Rosebud County
Rosebud, Montana 59347

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 Rosebud School District No. 12 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Rosebud School District No. 12's basic financial statements and have issued our report thereon dated June 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rosebud School District No. 12'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 Rosebud School District No. 12'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

June 9, 2015

ROSEBUD SCHOOL DISTRICT NO. 12
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.