



Independent Auditor's Report and
Financial Statements

Sweet Grass County High School

Sweet Grass County

Big Timber, Montana

June 30, 2014

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SWEET GRASS COUNTY HIGH SCHOOL

June 30, 2014

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June 30, 2014

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ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS

June 30, 2014

Board Of Trustees

Tim Yuzeitis	Chairman
Mike Chulyak	Vice Chairman
Justin Arlian	Trustee
Bonita Cremer	Trustee
Jordan Gano	Trustee
Mary Jo Engle	Trustee
Susie Fiveash	Trustee

Officials

Alvin Buerkle	District Superintendent
Bob Buster	District Clerk
Pat Dringman	County Attorney
Jane Stene	County Treasurer
Susan Metcalf	County Superintendent



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The Superintendent of the Sweet Grass County High School district has provided this management's discussion and analysis provides an overview of the District's financial activities covered by the audit report for the fiscal year ending June 30, 2014.

FINANCIAL HIGHLIGHTS

The District's financial position appears to be stable when compared to previous years. Net Position had a slight increase, by 1.7%, which is a definite improvement from some previous years. Yet when looking at revenues, there is a definite decrease in that area. This could be misconstrued as last year a trust fund used for scholarships was dispersed, so that inflated revenues for a year and this year the flow increased slightly in most areas but is offset by that one-time occurrence. In addition, the district now gives all of its IDEA Part B money to the Special Ed Cooperative, of which it is a member, meaning there is a definite decrease in federal programs income since those funds are not available to the district. One other factor is the county retirement distribution is sort of inflated for 2014 because of the assessment the state gave to all districts using retirement reserve to boost the TRS situation.

The difficult issues of the past years still exist. The declining enrolment trend the past few years maintained a "leveling off" for the past year but it will take a significant decrease in the next few years. Expenses did increase also but at a modest level of .6%. This is due to district efforts to reduce expenditures. The information supplied does indicate a slight increase in state support but there were significant reductions in federal funding. Local tax values did increase slightly over the 2014 fiscal year. Interest income continues to be very low and unfortunately showed another decline to the point of almost no impact on revenues. As usual, when the general revenues and expenses are compared for the district, the expenses are a larger total. Such is the nature of the fiscal reporting process for a school district. But at least the size of that gap is actually continuing to decrease significantly from other years. When the assets, program revenues, and general revenues are combined and compared to the expenses, then the financial health of the district appears to be stable but not especially vibrant.

USING THIS ANNUAL REPORT

This annual report consists of the financial statements for the District as a whole. The Statement of Net Position and Statement of Activities provide information about the long-term financial view of the District's finances. These are summarized in the figures given for the Net Position, Revenues, and Expenses which are included on the last page of this report. Our annual audit provides a more complete overview of the District's financial condition and is referred to as the final report within this MD&A.



June 30, 2014

REPORTING THE DISTRICT AS A WHOLE

The important question asked about the District's finances is, "Is the District better or worse off as a result of this year's activities?" The information in the government-wide financial statement helps answer this question by including all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies. As this system of account reporting is now in its tenth year, comparisons can be made between this budget year and the previous ones.

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

- A. The Statement of Net Position on page 5 of this report shows the assets, liabilities, and net position of the school district (page 11 of the audit report.) Net position total \$3,371,456 as of June 30, 2014. This value has to be viewed with some discrepancy as described earlier.
- B. The Statement of Activities on page 6 and 7 of this report (page 12 of the audit report) shows the amounts of program-specific and general school district revenues used to support the various functions of the District. 85% of expenditures were supported with general revenues such as property taxes, state aid, county retirement, interest and miscellaneous revenue. 15% of expenditures were supported with program revenues such as state and federal grants and charges for services.

Sweet Grass County High School is reported under the category of Governmental Activities: These funds provide a short-term view of the district's operations. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other short-term assets and liabilities that can readily be converted to cash or will soon be paid with cash.

June 30, 2014

REPORTING THE DISTRICTS MOST SIGNIFICANT FUNDS

The funds statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law requires school districts to segregate money generated for specific purposes into separate fund accounts. The fund statements report balances and activities of the most significant or major funds separately and combine activities of less significant funds under a single category. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least 10% of the corresponding element totals for all funds. The general fund is always reported as a major fund. This year the audit report also gives values for retirement, miscellaneous programs, transportation, and other government funds.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for the major funds on page 13 and 15 of the audit report. The district-wide fund statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis.

REPORTING THE DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITIES

The district is the trustee or fiduciary for the student extracurricular fund and several scholarship endowments. This report includes these activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 17 of the audit report) because the district cannot use these assets to fund its operations.

BUDGET TO ACTUAL COMPARISONS

Review of the Budget vs. Actual comparisons for several of the major funds on page 35 and 36 of the audit report will indicate that a difference exists between the adopted budget of the district and the actual budget for 2013-14. As is the nature of budgeting, the Budget compared to Actual does not always completely agree. While funds do show a positive balance, the district now operates at about 10% reserve level in the general fund but the threat of uncollected taxes could create further strain on the reserve fund.

June 30, 2014

THE DISTRICT AS A WHOLE

The change in net position over time is one indicator of whether the District's financial health is improving or deteriorating. In the past MD & A reports, the district has had a decrease in net position at times, but thankfully this report indicates positive growth in net position. The taxable value of the county has risen slightly in the past year due to the mining operation in the county. Even with that increase in value, the district does qualify for GTB which also assists with tax levels in the county. The enrollment trend has been a steady decline which will continue for future years. There was a slight increase in revenues due to what the legislature gave to schools in its last session but that growth is not equal to increasing costs of materials, technology needs, and insurance plans. As mentioned earlier, federal funding programs continue to decrease slightly but those funds continue to help with needed program and equipment funding. In particular the Rural Education Achievement Program (REAP) has been beneficial.

THE FUTURE OF THE DISTRICT

In accordance with the present funding structure required by the state of Montana, Sweet Grass County High School district is considered a disequalized district. That is, the district is presently operating over the limit of its maximum general fund budget as calculated by OPI for the 2014-15 school year as it has for the past five years. Recent trends in the legislature including an inflationary increase in budget amounts have helped the district creep closer to being equalized. If the student population could continue to hold basically stable as it has for the last three years, the district could possibly become "equalized" in a year or so. However, there is another decrease in the student population on the horizon. This will be softened somewhat by the three year averaging allowed by OPI in budgeting. The district does not have any excess reserves. Fortunately the district had accrued funds in other budgets to help support the general fund such as the building reserve, flex fund, and metal mines reserves. There is some relief in the fact that some staff members are retiring and are being replaced by individuals with lower levels of experience and thus lower on the salary scale. The use of the Quality Schools grant three years ago has assisted with the lowering of energy costs, an area the district continues to pursue and recently received an award from the Governor's office for efforts in the SMART Schools Challenge program. We will have to continue to pursue such options in the future and may have to continue to rely on the local support of taxpayers who have been kind in their support of the mill levies required to maintain a disequalized budget. Future concerns continue to hinge on the state governor and legislature's approach to school funding.

CONTACT INFORMATION

Further information regarding this financial report can be attained by contacting Superintendent, Alvin Buerkle or Clerk of the District, Robert Buster, at Sweet Grass County High School, P.O. Box 886, Big Timber, MT 59011. Phone contact can be made at 406-932-5993



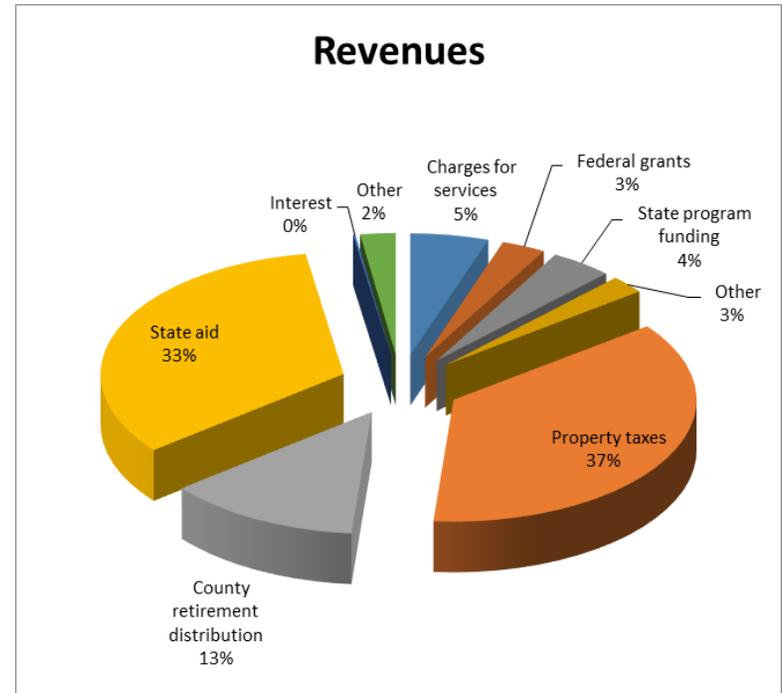
June 30, 2014

Comparisons of Critical Audit Report Items

	2014	2013
Net Position:		
Current assets	1,503,132	1,452,158
Capital assets - net	1,996,390	1,951,328
Total assets	<u>3,499,522</u>	<u>3,403,486</u>
Current Liabilities	0	0
Long-term Liabilities	128,066	87,696
Total liabilities	<u>128,066</u>	<u>87,696</u>
Net Position:		
Net investment in captial assets	1,996,390	1,951,328
Restricted for:		
Compensated absences	4,631	4,611
Other fund activities	847,646	795,826
Capital project funds	10,726	4,778
Unrestricted	512,063	559,247
Total net position	<u>3,371,456</u>	<u>3,315,790</u>

June 30, 2014

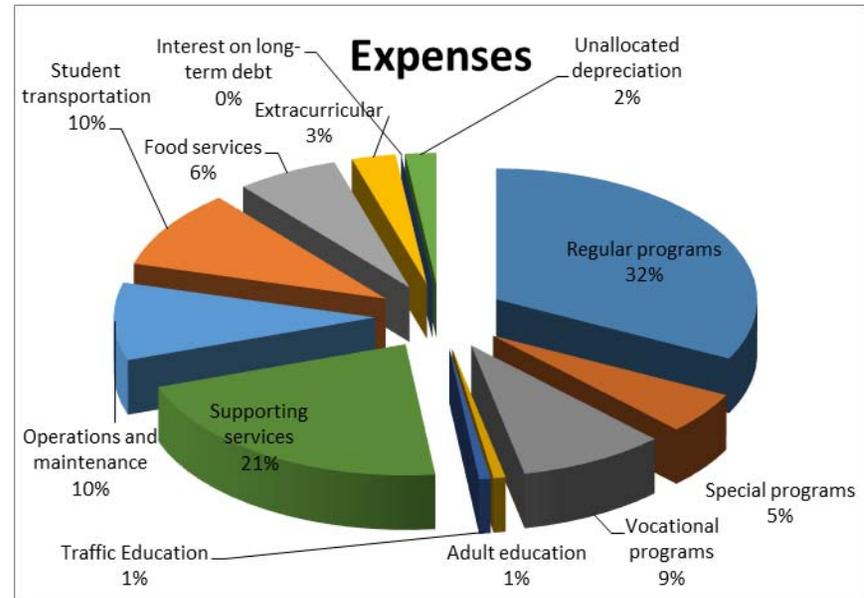
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	155,069	146,359
Federal grants	86,767	117,878
State program funding	123,889	108,569
Other	70,994	71,020
Total program revenues	<u>436,719</u>	<u>443,826</u>
General revenues:		
Property taxes	1,089,885	1,046,630
County retirement distribution	384,702	261,437
State aid	988,753	1,207,760
Interest	4,451	4,484
Other	69,942	37,786
Special Items		
Receipt from trust fund	0	292,020
Gain/(loss) on asset disposal	0	(36,900)
Total general revenues	<u>2,537,733</u>	<u>2,813,217</u>



June 30, 2014

Expenses:

	<u>2014</u>	<u>2013</u>
Regular programs	948,041	1,021,822
Special programs	150,661	89,033
Vocational programs	265,181	233,335
Adult education	21,815	26,838
Traffic Education	20,560	11,634
Supporting services	628,398	554,584
Operations and maintenance	280,148	294,460
Student transportation	282,883	325,624
Food services	185,381	190,856
Extracurricular	79,527	78,041
Interest on long-term debt	0	0
Unallocated depreciation	56,191	74,510
	<u><u>2,918,786</u></u>	<u><u>2,900,737</u></u>



INDEPENDENT AUDITOR'S REPORT

June 30, 2015

Board of Trustees
Sweet Grass County High School
Sweet Grass County
Big Timber, 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 Sweet Grass County High School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sweet Grass County High School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Sweet Grass County High School's 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 Sweet Grass County High School, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sweet Grass County High School's basic financial statements. The Combining Balance Sheet – General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund, Extracurricular Fund – Schedule of Cash Receipts, Disbursements and Changes in Net Position, and Schedule of Reported Enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet – General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance –General Fund, Extracurricular Fund – Schedule of Cash Receipts, Disbursements and Changes in Net Position, 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 Combining Balance Sheet - General Fund, Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position, 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 30, 2015 on our consideration of Sweet Grass County High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sweet Grass County High School's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Billings, Montana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

ASSETS:

Cash and equivalents	1,502,036
Taxes receivables	1,096
Capital assets:	
Land	80,000
Other capital assets, net of depreciation	1,916,390
Total Capital Assets	<u>1,996,390</u>
Total Assets	<u>3,499,522</u>

LIABILITIES:

Long-term liabilities:	
Due within one year:	
Compensated absences	25,613
Due in more than one year:	
Compensated absences	102,453
Total Liabilities	<u>128,066</u>

NET POSITION:

Net investment in capital assets	1,996,390
Restricted for:	
Compensated absences	4,631
Other fund activities	847,646
Capital projects funds	10,726
Unrestricted	512,063
Total Net Position	<u>3,371,456</u>

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants	Revenue
				2014
Primary government				
Instruction:				
Regular Programs	948,041	0	58,363	(889,678)
Special Programs	150,661	0	43,568	(107,093)
Vocational Programs	265,181	0	0	(265,181)
Adult Education	21,815	3,373	0	(18,442)
Traffic Education	20,560	13,620	3,659	(3,281)
Supporting Services	628,398	0	0	(628,398)
Operations & Maintenance	280,148	0	0	(280,148)
Student Transportation	282,883	0	147,656	(135,227)
Food Services	185,381	138,076	28,404	(18,901)
Extracurricular	79,527	0	0	(79,527)
Unallocated Depreciation	56,191	0	0	(56,191)
Total governmental activities	<u>2,918,786</u>	<u>155,069</u>	<u>281,650</u>	<u>(2,482,067)</u>
General revenues:				
Property taxes, levied for general purposes				1,089,885
County Retirement Distribution				384,702
State Aid				988,753
Interest				4,451
Miscellaneous				69,942
Total general revenues				<u>2,537,733</u>
Change in net position				55,666
Net position - beginning				<u>3,315,790</u>
Net position - ending				<u><u>3,371,456</u></u>

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	639,362	111,210	140,715	390,676	220,073	1,502,036
Taxes receivable, net	767	139	0	0	190	1,096
Due from other funds	489	0	0	0	0	489
Total assets	<u>640,618</u>	<u>111,349</u>	<u>140,715</u>	<u>390,676</u>	<u>220,263</u>	<u>1,503,621</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities:						
Due to other funds	0	0	0	0	489	489
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>489</u>	<u>489</u>
Deferred inflow of resources:						
Unavailable tax revenue	767	139	0	0	190	1,096
Total deferred inflow of resources	<u>767</u>	<u>139</u>	<u>0</u>	<u>0</u>	<u>190</u>	<u>1,096</u>
Fund balances:						
Restricted for:						
Compensated Absences	0	0	0	0	4,631	4,631
Special revenue funds	0	111,210	140,715	390,676	204,739	847,340
Capital projects funds	0	0	0	0	10,703	10,703
Unassigned	639,851	0	0	0	(489)	639,362
Total fund balances	<u>639,851</u>	<u>111,210</u>	<u>140,715</u>	<u>390,676</u>	<u>219,584</u>	<u>1,502,036</u>
Total liabilities, deferred inflow of resources and fund balances	<u>640,618</u>	<u>111,349</u>	<u>140,715</u>	<u>390,676</u>	<u>220,263</u>	<u>1,503,621</u>

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	1,502,036
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,996,390
Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,096
Some liabilities, (such as Compensated Absences), are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(128,066)</u>
Net Position of Governmental Activities in the Statement of Net Position.	<u><u>3,371,456</u></u>

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Transportation	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes for General Purposes	729,947	157,448	0	0	201,580	1,088,975
Intergovernmental:						
County	91,072	70,994	293,630	0	0	455,696
State	1,019,462	76,662	0	9,673	6,845	1,112,642
Federal	0	0	0	58,363	0	58,363
Interest on Investments	2,567	412	463	101	908	4,451
Charges for Services	0	0	0	0	155,070	155,070
Food Services	0	0	0	0	28,404	28,404
Other	0	0	0	35,512	34,430	69,942
Total revenues	<u>1,843,048</u>	<u>305,516</u>	<u>294,093</u>	<u>103,649</u>	<u>427,237</u>	<u>2,973,543</u>
EXPENDITURES						
Current:						
Instruction	893,902	0	49,769	76,517	90,180	1,110,368
Supporting Services	531,665	63,076	0	0	12,876	607,617
Operations and Maintenance	232,846	2,908	0	2,021	42,371	280,146
Student Transportation	35,543	191,255	3,025	0	0	229,823
Food Services	13,637	0	9,842	0	161,524	185,003
Extracurricular	71,631	0	7,161	0	0	78,792
Capital Outlay	73,022	0	0	0	83,000	156,022
Total Expenditures	<u>1,852,246</u>	<u>257,239</u>	<u>69,797</u>	<u>78,538</u>	<u>389,951</u>	<u>2,647,771</u>
Excess (deficiency) of revenues over expenditures	(9,198)	48,277	224,296	25,111	37,286	325,772
OTHER FINANCING SOURCES (USES)						
Resource Transfers to Other Districts	(17,226)	(21,139)	(232,115)	(3,323)	(1,905)	(275,708)
Total other financing sources and uses	<u>(17,226)</u>	<u>(21,139)</u>	<u>(232,115)</u>	<u>(3,323)</u>	<u>(1,905)</u>	<u>(275,708)</u>
Net change in fund balances	(26,424)	27,138	(7,819)	21,788	35,381	50,064
Fund balances - beginning	666,275	84,072	148,534	368,888	184,203	1,451,972
Fund balances - ending	<u>639,851</u>	<u>111,210</u>	<u>140,715</u>	<u>390,676</u>	<u>219,584</u>	<u>1,502,036</u>

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: 50,064

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. (110,960)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 910

Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:
Compensated absences expense (40,370)

Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:
Capital outlays 156,022

Change in net position of governmental activities 55,666

The accompanying notes are an integral part of these financial statements.



BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	PRIVATE PURPOSE TRUST		TOTAL
	STUDENT ACTIVITY	NONEXPENDABLE TRUST	
FIDUCIARY NET POSITION			
Assets:			
Cash	91,484	156,012	247,496
Total Assets	<u>91,484</u>	<u>156,012</u>	<u>247,496</u>
Net Position:			
Held in Trust for Student Activities	91,484	0	91,484
Reserved for scholarships	0	156,012	156,012
Total Net Position	<u>91,484</u>	<u>156,012</u>	<u>247,496</u>
CHANGES IN FIDUCIARY NET POSITION			
Additions			
Revenue from Student Activities	248,412	0	248,412
Interest	0	626	626
Total additions	<u>248,412</u>	<u>626</u>	<u>249,038</u>
Deductions			
Expenses for Student Activities	246,055	0	246,055
Scholarships	0	3,500	3,500
Total deductions	<u>246,055</u>	<u>3,500</u>	<u>249,555</u>
Change in Net Position Held in Trust	2,357	(2,874)	(517)
Net Position, Beginning of Year	<u>89,127</u>	<u>158,886</u>	<u>248,013</u>
Net Position, End of Year	<u>91,484</u>	<u>156,012</u>	<u>247,496</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note A Description of the School District and Reporting Entity

1 Reporting Entity

Sweet Grass County High School was established under Montana law to provide educational services below the college and university level to residents of the District. The District is managed by a Board of Trustees, elected in a district-wide election, and by an administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Sweet Grass County provides substantial services to the District; tax billings, cash collections, debt payments and warrant redemption all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Sweet Grass County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the Student Extracurricular Fund and the Nonexpendable Trust Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note B Summary of Significant Accounting Policies

The financial statements of Sweet Grass County High School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

1 Basis of Presentation**a. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the extracurricular and nonexpendable trust funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students and the nonexpendable trust, which account for scholarship activity, are reported as a private purpose trust fund in the statement of fiduciary net position and changes in fiduciary net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

2 Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

Metal Mines Fund – The Metal Mines Fund is used for the purpose of accounting for revenues collected under Section 15-37-117(1), MCA and 7-6-2225, MCA related to hard rock mining. Money may be expended from this fund for any purpose provided by law.

Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The flex fund is funded by a state grant and voted levy.

The General Fund has been blended with the Metal Mines Fund and the Flex Fund on the governmental fund financial statements for financial reporting purposes under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Transportation Fund – The transportation fund is used for the purpose of financing the maintenance and, operation of district owned school buses, contracts with private carriers and 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. The fund may be used only to support cost of home-to-school transportation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Retirement Fund – The Retirement Fund authorized by Section 20-9-501, MCA for the purpose of financing the employer’s contribution to the Teachers’ Retirement System (TRS), the Public Employees’ Retirement System (PERS), Unemployment Compensation and Social Security. Funded by a countywide levy for retirement.

Miscellaneous Program Fund – The Miscellaneous Program Fund is authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

3 Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District’s fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

4 Basis of Accounting and Measurement Focus**a. Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenues as deferred inflows of resources and advances from grantors as a liability on its government-wide statement of net position and on its balance sheet - governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Unavailable tax revenues and advances from grantors also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the deferred inflow of resources for unavailable tax revenue and liability for advances from grantors are removed from the balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

5 Cash and Investments

Cash resources of the District for all funds other than the Extracurricular Fund and proceeds from the Scholarship Fund, are combined with cash resources of other school districts within Sweet Grass County to form a pool of cash and cash equivalents that is managed by the Sweet Grass County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district's previous month's ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund's previous month's ending balance of cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll clearing agency fund is netted for reporting purposes. The District does not have a claims clearing fund.

The cash and warrants payable in the payroll clearing account are as follows:

	<u>Payroll Clearing</u>
Cash	<u>43,571</u>
Warrants payable	<u>43,571</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular Fund cash of \$96,249, at June 30, 2014 is held at Citizens Bank and Trust in Big Timber. The account is insured by the FDIC up to \$250,000.

6 Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-50 Years
Buildings and Building Improvements	15-50 Years
Machinery and Equipment	5-20 Years

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

7 Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

8 Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report 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 District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9 Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Restricted - Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed - Amounts that can be spent only for a specific purpose determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

Assigned - Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned - The residual classification for the government's general fund that includes all amounts that are not contained in other classifications.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as Assigned fund balance. At June 30, 2014, there were no encumbrances.

10 Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

11 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

12 Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financials for the year ended June 30, 2014. Management has performed this evaluation through June 30, 2015, the date the financial statements were available to be issued.

Note C Property Taxes

Property taxes are collected by the Sweet Grass County Treasurer who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014 uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Sweet Grass County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Sweet Grass County.

All property taxes are recognized in compliance with GASB Interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note D Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:				
Land Improvements	194,865	0	0	194,865
Buildings and Improvements	3,614,267	73,022	0	3,687,289
Machinery and Equipment	1,102,908	83,000	60,180	1,125,728
	<u>4,912,040</u>	<u>156,022</u>	<u>60,180</u>	<u>5,007,882</u>
OTHER CAPITAL ASSETS:				
Land	80,000	0	0	80,000
Total	<u>4,992,040</u>	<u>156,022</u>	<u>60,180</u>	<u>5,087,882</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	126,310	4,631	0	130,941
Buildings and Improvements	2,077,598	79,768	0	2,157,366
Machinery and Equipment	836,804	26,561	60,180	803,185
Total accumulated depreciation	<u>3,040,712</u>	<u>110,960</u>	<u>60,180</u>	<u>3,091,492</u>
Total	<u><u>1,951,328</u></u>	<u><u>110,960</u></u>	<u><u>60,180</u></u>	<u><u>1,996,390</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Depreciation expense was charged to the functions of the District as follows:

Supportive Services	598
Student Transportation	53,060
Food Service	377
Extracurricular	734
Unallocated Depreciation	56,191
	<u>110,960</u>

Note E Long-Term Debt

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	July 1, 2013	Additions	June 30, 2014	Due Within One Year	Due In More Than One Year
Compensated Absences Payable	<u>87,696</u>	<u>40,370</u>	<u>128,066</u>	<u>25,613</u>	<u>102,453</u>
Total	<u>87,696</u>	<u>40,370</u>	<u>128,066</u>	<u>25,613</u>	<u>102,453</u>

The compensated absences liability will be liquidated by several of the governmental funds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note F Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Values Measurements and Disclosures*, provides the framework for measuring fair values. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual bonds based on closing price reported in the active market where the securities are traded.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization classifies assets and liabilities within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of each individual asset and liability taken as a whole. The following table below sets forth by level within the fair value hierarchy the gross components of the assets and liabilities measured at fair value on a recurring basis. Normal purchases and sales transactions are not included in the fair values by source table as they are not recorded at fair value.

During the year ended June 30, 2014, the investments held by the District were considered level 1 inputs all in marketable securities valued at \$304,772.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note G Employee Benefit Plans

1 Plan Description and Provisions

All full-time District employees participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$1,502,608.

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$28,351 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$28,714 (7.90% of eligible payroll). Total payroll for employees covered by PERS was \$363,467. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$57,065, \$44,169, and \$42,285, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Teacher's Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$86,298 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$79,793 (8.15% of eligible payroll). Total payroll for teaching employees was \$1,010,027. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$166,091, \$145,715, and \$150,645, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note H Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. A commercial policy with Montana School Foundation Services, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Employee medical insurance is provided through MUST. The District participates in a statewide public risk pool, Montana Schools Group Workers' Compensation Risk Retention Program, a public entity risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays a quarterly premium for its employee injury insurance coverage which is allocated to the employer fund based on total paid salaries and wages. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The District does not carry separate coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

Note I Non-Monetary Transactions

The District received \$6,885 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note J Resource Transfers

For the year ended June 30, 2014, the miscellaneous programs fund received resource transfers in of \$10,613 from the Stillwater – Sweet Grass Special Education Cooperative relating to the District's share of IDEA B federal funds and the general fund made resource transfers out of \$35,910 to record lump sum payments paid to the Stillwater - Sweet Grass Special Education Cooperative for the provision of special education services.

For the year ended June 30, 2014, the general fund, transportation fund, retirement fund, miscellaneous fund and other governmental funds paid resource transfers out of \$17,226, \$21,139, \$232,115, \$3,323 and \$1,905, respectively to Big Timber Elementary School District to fund the District's portion of health insurance under an interlocal agreement, that was entered into between the District and the Big Timber Elementary School District pursuant to MCA 20-7-457, 20-9-511, 20-7-801, and 20-9-701.

Note K Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note L Deficit Net Position/Fund Balance

As of June 30, 2014 the Traffic Education fund had a deficit fund balance of \$489.

REQUIRED SUPPLEMENTAL INFORMATION

Sweet Grass County High School

Sweet Grass County
Big Timber, Montana
June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	General Fund		Flex Fund	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES				
Taxes	735,465	729,947	0	0
Intergovernmental revenues				
State	998,728	998,728	20,734	20,734
Interest on investments	753	724	0	53
Total revenues before reappropriations	<u>1,734,946</u>	<u>1,729,399</u>	<u>20,734</u>	<u>20,787</u>
Budgeted reappropriations	0		0	
Total revenues and reappropriations	<u>1,734,946</u>		<u>20,734</u>	
EXPENDITURES				
Current:				
Instruction	1,734,946	881,473	40,065	12,429
Supporting services	0	519,545		4,708
Operations and maintenance	0	207,033	0	1,585
Student transportation	0	35,543	0	0
Food services	0	0	0	13,637
Extracurricular	0	71,631	0	0
Total expenditures	<u>1,734,946</u>	<u>1,715,225</u>	<u>40,065</u>	<u>32,359</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>14,174</u>	<u>(19,331)</u>	<u>(11,572)</u>
OTHER FINANCING SOURCES (USES)				
Resource transfers out		(17,226)		0
Total other financing sources (uses)		<u>(17,226)</u>		<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures		(3,052)		(11,572)
Fund balances, beginning (Non-GAAP budgetary basis)		<u>171,248</u>		<u>19,332</u>
Fund balances, ending (Non-GAAP budgetary basis)		168,196		7,760
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures		<u>0</u>		<u>0</u>
Fund balances, ending (GAAP basis)		<u>168,196</u>		<u>7,760</u>

See independent auditor's report.



REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	Transportation		Retirement	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES				
Taxes	158,994	157,448	0	0
Intergovernmental revenues				
County	70,999	70,994	294,860	293,630
State	76,667	76,662	0	0
Interest on investments	0	412	0	463
Total revenues before reappropriations	<u>306,660</u>	<u>305,516</u>	<u>294,860</u>	<u>294,093</u>
Budgeted reappropriations	<u>18,950</u>		<u>74,635</u>	
Total revenues and reappropriations	<u>325,610</u>		<u>369,495</u>	
EXPENDITURES				
Current:				
Instruction	0	0	369,495	49,769
Supporting services	325,610	63,076	0	0
Operations and maintenance	0	2,908	0	0
Student transportation	0	191,255	0	3,025
Food services	0	0	0	9,842
Extracurricular	0	0	0	7,161
Total expenditures	<u>325,610</u>	<u>257,239</u>	<u>369,495</u>	<u>69,797</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>48,277</u>	<u>0</u>	<u>224,296</u>
OTHER FINANCING SOURCES (USES)				
Resource transfers out		(21,139)		(232,115)
Excess (deficiency) of revenues and other sources over expenditures		27,138		(7,819)
Fund balances, beginning (Non-GAAP budgetary basis)		<u>84,072</u>		<u>148,534</u>
Fund balances, ending (Non-GAAP budgetary basis)		111,210		140,715
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures		<u>0</u>		<u>0</u>
Fund balances, ending (GAAP basis)		<u>111,210</u>		<u>140,715</u>

See independent auditor's report.



NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

1 Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

Fund	Budgeted	Non-Budgeted
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Metal Mines		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Fiduciary Funds		
Endowment		X
Extracurricular		X
Payroll Clearing		X
Claims Clearing		X

NOTES TO BUDGETARY COMPARISON SCHEDULE – CONTINUED

For the Year Ended June 30, 2014

2 Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted and amended budgets. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

Budgetary policy follows:

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
- 3) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.
- 4) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 5) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

NOTES TO BUDGETARY COMPARISON SCHEDULE – CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances are reported as an assignment of fund balance of the Balance Sheet – Governmental Funds. Because inclusion of these obligations is required for budgetary purposes they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

SUPPLEMENTAL INFORMATION

Sweet Grass County High School

Sweet Grass County
Big Timber, Montana
June 30, 2014

SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – GENERAL FUND

For the Year Ended June 30, 2014

	General Fund	Metal Mines	Flex Fund	Total General Fund
ASSETS				
Cash and cash equivalents	167,707	463,895	7,760	639,362
Taxes receivable, net	767	0	0	767
Due from other funds	489	0	0	489
Total assets	<u>168,963</u>	<u>463,895</u>	<u>7,760</u>	<u>640,618</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
Deferred inflow of resources:				
Unavailable tax revenue	<u>767</u>	<u>0</u>	<u>0</u>	<u>767</u>
Total deferred inflows of resources	<u>767</u>	<u>0</u>	<u>0</u>	<u>767</u>
Fund balances:				
Unassigned	<u>168,196</u>	<u>463,895</u>	<u>7,760</u>	<u>639,851</u>
Total fund balances	<u>168,196</u>	<u>463,895</u>	<u>7,760</u>	<u>639,851</u>
Total liabilities, deferred inflow of resources and fund balances	<u>168,963</u>	<u>463,895</u>	<u>7,760</u>	<u>640,618</u>

See independent auditor's report.



SUPPLEMENTAL INFORMATION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2014

	General Fund	Metal Mines	Flex Fund	Total General Fund
REVENUES				
Property Taxes for General Purposes	729,947	0	0	729,947
Intergovernmental:				
County	0	91,072	0	91,072
State	998,728	0	20,734	1,019,462
Interest on Investments	724	1,790	53	2,567
Total revenues	<u>1,729,399</u>	<u>92,862</u>	<u>20,787</u>	<u>1,843,048</u>
EXPENDITURES				
Current:				
Instruction	881,473	0	12,429	893,902
Supporting Services	519,545	7,412	4,708	531,665
Operations and Maintenance	207,033	24,228	1,585	232,846
Student Transportation	35,543	0	0	35,543
Food Services	0	0	13,637	13,637
Extracurricular	71,631	0	0	71,631
Capital Outlay	0	73,022	0	73,022
Total Expenditures	<u>1,715,225</u>	<u>104,662</u>	<u>32,359</u>	<u>1,852,246</u>
Excess (deficiency) of revenues over expenditures	14,174	(11,800)	(11,572)	(9,198)
OTHER FINANCING SOURCES (USES)				
Resource Transfers to Other Districts	(17,226)	0	0	(17,226)
Total other financing sources and uses	<u>(17,226)</u>	<u>0</u>	<u>0</u>	<u>(17,226)</u>
Net change in fund balances	(3,052)	(11,800)	(11,572)	(26,424)
Fund balances - beginning	171,248	475,695	19,332	666,275
Fund balances - ending	<u>168,196</u>	<u>463,895</u>	<u>7,760</u>	<u>639,851</u>

See independent auditor's report.



SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

Student Activity	Balance 7/1/13	Receipts	Disbursements	Transfer In (Out)	Balance 6/30/14
FFA Sub-Chapter Savings	1,940	0	0	0	1,940
Athletics	2,369	114,942	112,538	(13)	4,760
Student Council	4,208	4,479	6,473	3,138	5,352
Annual	16,189	6,327	3,298	25	19,243
Shepherd	10,603	0	0	0	10,603
General	562	105	105	0	562
Pep Club	2,047	1	317	562	2,293
Thespians	2,351	1,024	1,177	375	2,573
FFA	6,502	40,718	43,030	375	4,565
S Club	659	0	0	0	659
Band	2,203	10,867	11,005	375	2,440
Chorus	6,712	1,295	6,087	375	2,295
Instrument Rental	868	0	0	0	868
Cheerleaders	441	378	244	562	1,137
Ski Club	816	0	0	0	816
Gown Fund	6,643	245	0	0	6,888
National Honor Society	787	556	566	0	777
Goosey Award	1,602	0	1,000	0	602
Athletic Uniforms	772	1	0	0	773
Subtotals	68,274	180,938	185,840	5,774	69,146

See independent auditor's report.



SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2014

Student Activity	Balance 7/1/13	Receipts	Disbursements	Transfer In (Out)	Balance 6/30/14
Subtotal from previous page	68,274	180,938	185,840	5,774	69,146
Class of 2014	4,562	103	5,639	974	0
Class of 2015	2,670	5,640	5,388	375	3,297
Class of 2016	1,258	646	186	937	2,655
Class of 2017	0	211	32	1,499	1,678
Sign Fundraiser	1,443	0		(1,443)	0
Close-Up	2,033	22,963	24,562	(72)	362
Concessions	2,225	26,520	17,217	(9,754)	1,774
International Club	2,037	8,467	4,480	1,710	7,734
Apollo Publication	553	0	0	0	553
Aim Higher	81	0	0	0	81
Savy	1,102	1,422	1,681	0	843
Thespians	2,634	1,031	558	0	3,107
Petty Cash	255	471	472	0	254
Totals	89,127	248,412	246,055	0	91,484

See independent auditor's report.



SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

Grade	Fall		Winter		Spring	
	Reported Enrollment	Enrollment Per District Record	Reported Enrollment	Enrollment Per District Record	Reported Enrollment	Enrollment Per District Record
9-12	174	174	173	173	181	181
Totals	174	174	173	173	181	181

See independent auditor's report.



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

June 30, 2015

Board of Trustees
Sweet Grass County High School
Big Timber, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Grass County High School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sweet Grass County High School's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sweet Grass County High School'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 Sweet Grass County High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Sweet Grass County High School'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sweet Grass County High School's financial statements are free from 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*.

Sweet Grass County High School's Response to Findings

Sweet Grass County High School's response to the finding identified in our audit is described in the accompanying corrective action plan. Sweet Grass County High School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wipfli LLP

Wipfli LLP
Billings, Montana



SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Section II - Financial Statement Findings

2014-001 Student Extracurricular Expenditures

Criteria or Specific Requirement: MCA 20-9-504 states that all disbursements of extracurricular funds must be approved by the club sponsor and building principal and be supported with adequate support for the disbursement.

Condition: During testing of controls over extracurricular expenditures one deviation was noted. The deviation consisted of one expenditure that could not be located and because of this it was missing proper approval and adequate support for the expenditure.

Context: We selected a sample of 25 extracurricular expenditures for control testing. The sample size was not expanded due to the number of deviations exceeding the maximum amount allowed for a reasonable sample size.

Effect: Extracurricular expenditures could be for non valid purposes and also extracurricular funds could be overspent.

Cause: The District lacks an appropriate review procedures to ensure all extracurricular expenditures are complete.

Auditor's Recommendation: We recommend the District implement more effective controls around the expenditure of cash used by extracurricular programs. For all expenditure requests, signature of approval of the expenditures, receipt of expenditure, and description of the expenditures should be collected by the custodian. Additionally, we recommend the District implement controls requiring the custodian to keep supporting detail of all expenditures.

Section III - Summary Schedule of Prior Audit Findings

None

Sweet Grass County High School

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*Building Life Skills and Success, Encouraging Self and Others,
Enhancing Learning and Involvement, Promoting Responsibility*

June 29, 2015

To Whom It May Concern

Re: Findings on the Independent Auditors report for fiscal year 2014

This letter is in response to the finding explained on page 49 of the draft of the 2014 Auditor's report for Sweet Grass County High School. It was noted that a student activity expenditure could not be verified from a sample group of expenditures. The expenditure was missing proper approval and adequate support for the expenditure. The following steps will be taken to improve the record keeping of such expenditures:

1. All extra-curricular staff will be informed that there will be no expenditures without an approved Purchase Order.
2. The clerk of the student activities fund will be instructed to match all expenditures with a Purchase Order before payment can be given.
3. Any questions regarding purchases will be directed to the Student Activities Director or the Superintendent of the district.

If further information is required, please contact me.

Sincerely,



Alvin Buerkle
Superintendent