

TROUT CREEK PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TROUT CREEK PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-9
Independent Auditor's Report	10-12
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	13
Statement of Activities	14
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Fiduciary Fund Types	19
Statement of Changes in Net Position - Fiduciary Fund Types	20
Notes to Financial Statements	21-34
Required Supplemental Information	
Budgetary Comparison Schedule	35-38
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	39
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	40
Supplemental Information	
Schedule of Enrollment	41
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	42
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	43-44

TROUT CREEK PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Michael Linderman	Chairperson
Penny James	Trustee
Dieter Jaegers	Trustee

DISTRICT OFFICIALS

Erin Lipkind	District Superintendent
Daisy Carlsmith	Supervising Teacher
Mary Smith	Business Manager
Carol Turk	County Superintendent
Robert Zimmerman	County Attorney

Trout Creek School District, Sanders County, Montana
Management Discussion and Analysis
Fiscal Year Ended June 30, 2014

The Administration of Trout Creek School District No. 6, Sanders County, Montana, has developed this Management Discussion and Analysis to provide an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

Financial Highlights

Since Trout Creek School has provided this report in previous years, a comparative analysis is being provided. The Fiscal Year 2013 General Fund budget total was \$449,357, and the FY 2014 General Fund budget was \$466,042. For both years, these were the maximum budgets allowed with, or without a vote, so no voted levies could be requested. In 2006, the state implemented a 3-year average ANB calculation, which allows districts to use their current ANB or a 3-year average ANB for budgeting purposes, whichever is highest. Because of declining enrollment, our 3-year average ANB had been higher for several years. However, for the FY 2012 and FY 2013 budgets, our current year ANB's were higher than the 3-year average ANB's. This was the first time in several years that the current year ANB was higher than the 3-year average ANB. Average Number Belonging (ANB) is calculated from the district's enrollment from the prior year. The state implemented the 3-year average ANB to help districts, such as ours, who have been experiencing declining enrollment. Since the current year ANB's were higher for the FY 2012 and FY2013 budgets, it appeared that our enrollment might be stabilizing. However, for the FY 2014 budget, we were back to using the 3-year average ANB for the budget. This was mainly due to less students in the 7-8 grades, so the 3-year average ANB generated more funding overall. We are seeing increased numbers in our K-6 population, and we believe this due to us offering a free preschool program beginning in FY 2011, and also due to the quality of education that is being offered. Our first two enrollment counts for FY 2015 have allowed us to do budget amendments due to unanticipated enrollment increases. This year we have seen a large increase in our K-6 population.

The district has had a \$25,000 Technology Acquisition and Depreciation Fund levy each fiscal year since the levy was passed in May 2004. FY 2014 was the second year we were awarded \$52,000 for a 21st Century Community Learning Centers Grant, to run After School and Summer School programs. We were also awarded \$30,166 for a Significant Needs Students grant, which helped replace money spent from our General Fund and Flex Fund. We continue to save money in our Flex Fund to help with anticipated funding shortages. In FY 2012 and FY 2013 we had to spend money out of the Flex Fund to cover some teacher salaries.

Using this Annual Report

The "Statement of Net Position" shows the school district's "assets" (what the district owns), "liabilities" (what the district owes) and the "net position" (what the district would own after all obligations were settled). The district's assets consist of the following: 1) capital assets, such as buildings, equipment and other property; 2) restricted assets, reserved for emergencies or certain purposes; and 3) assets that are available to fund budgets for the following year.

The "Statement of Activities" shows activities of the district as a whole, and shows amounts of program-specific and general revenues used to support various functions of the school district. The "Statement of Activities" categorizes all of the school district's activities as "Governmental Activities," which include school functions, such as instruction, student services, administration, and so on. Property taxes, state and federal revenues usually support most of these functions of the district. None of the district activities are categorized as business-type activities.

The “Governmental Funds Balance Sheet” only includes current assets and liabilities expected to be collected or paid out in the very near future. These are the funds that are used by the school district. The district’s most significant or “major funds” are identified in the fund financial statements. We have determined our major funds for FY 2014 to be **General Funds (which is the General Fund and Flexibility Fund combined – GASB 54 requirement), Transportation Fund, Retirement Fund, Miscellaneous Programs Fund and Technology Fund**, while the remaining funds are combined under “Other Governmental Funds.”

The “Budgetary Comparison Schedule” shows actual expenditures compared to original amounts budgeted for the major budgeted funds. Miscellaneous Programs is a non-budgeted fund, so no comparison will be shown for this fund. The General Fund budget was completely expended in FY 2014, as it has been each year since FY 2004. There was excess budgeted in the Transportation Fund for unstable fuel prices, and to compensate for variance in the amounts budgeted vs. the actual state and county revenues received. In the Retirement Fund our expenditures were \$14,176 less than what was budgeted. We had budgeted excess in this fund in anticipation of a Teachers’ Retirement payment, if a teacher chose to retire at the end of the school year. Any monies in excess of the fund operating reserve limit, are used to fund the following fiscal year’s budget. However, during the 2013 legislative session, HB 377 changed the Retirement Fund operating reserve limit from 35% down to 20%; and school districts had to send any excess monies above the operating reserve limit to the Montana Teachers’ Retirement System. This resulted in our district having to send \$26,783.09 to the Montana Teachers’ Retirement System, and we had to increase our FY 2014 Retirement Budget by this amount. Consequently, we had to request approximately \$19,000 more in county revenue for the FY 2014 Retirement Fund budget, than we requested for the FY2013 budget. We only spent \$449 from the Flexibility Fund in FY 2014, versus \$10,832 being spent in FY 2013. The remaining funds are being saved for future funding shortfalls. Since we received \$30,166 in a Significant Needs Students grant, this helped save monies we would have needed to spend from our Flex Fund in FY 2014. Also, in FY 2014, the district transferred a total of \$8,000 (\$7,672 from Transportation and \$328 from Adult Ed) to the Building Reserve Fund for school safety improvements. This was authorized by the 2013 legislature under SB 348.

The district is the trustee, or fiduciary, for the Student Extracurricular Fund. Activities for this fund are reported on “Fiduciary Funds, Statement of Fiduciary Net Position”, and the district cannot use these assets to fund its operations. However, the district is responsible for these assets, and needs to make sure the assets are used for the purposes intended.

The District as a Whole

Trout Creek School District No. 6 is an elementary public school that provides education to children in Pre-kindergarten through Eighth Grades. The school district provides instruction, student transportation, extracurricular sports, participates in federal programs and receives special education services through the Sanders County Special Education Cooperative. The district participates in the Northwest Montana Educational Cooperative which assists with curriculum and meeting state standards. Beginning in FY 2013, the district also offers After School and Summer School programs through a 21st Century Community Learning Centers Grant. The District receives Medicaid monies that support an Altacare Program. In FY 2011, the district started offering a free preschool program.

The following table compares the district’s assets and liabilities for FY 2013 & FY 2014.

ASSETS	F Y 2013	FY 2014	Incr./(Decr.)	% Incr/(Decr.)
Current Assets	\$ 222,969	\$ 227,019	\$ 4,050	1.82%
Capital Assets	\$ 409,501	\$ 407,581	\$ (1,920)	(0.47%)
Total Assets	\$ 632,470	\$ 634,600	\$ 2,130	0.34%
LIABILITIES				
Long-term debt outstanding	\$ 158,027	\$ 194,908	\$ 36,881	23.34%
Other Liabilities	\$ 13,587	\$ 27,925	\$ 14,338	105.53%
Total Liabilities	\$ 171,614	\$ 222,833	\$ 51,219	29.85%
NET POSITION				
Net investment in Capital Assets	\$ 409,501	\$ 407,581	\$ (1,920)	(0.47%)
Restricted	\$ 116,459	\$ 104,960	\$ (11,499)	(9.87%)
Unrestricted	\$ (65,104)	\$ (100,774)	\$ (35,670)	(54.79%)
Total Net Position	\$ 460,856	\$ 411,767	\$ (49,089)	(10.65%)

The above table shows an increase in Current Assets at the end of FY 2014. We had more cash at year end because we had received the Significant Needs Students Grant. Our capital assets decreased slightly in FY 2014. We added new playground equipment in FY2014, which helped offset depreciation of our aging buildings and equipment.

Current Liabilities result from accounts payable or other payables at year end. Our accounts payable were significantly higher at the end of FY 2014. This was mostly due to receiving the Significant Needs Students Grant, which freed up monies to be spent at year end. Our accounts payable and accrued payroll for June 30th, 2014 were nearly double what they had been at the end of FY 2013. Non-Current Liabilities are sick leave and vacation that would be due to employees leaving the district, and this increases with employee longevity. In FY 2014, these liabilities increased due to increased sick leave and vacation accumulations and increases in Other Post Employment Benefits. In FY 2010 new accounting standards required us to report Other Post Employment Benefits (OPEB). OPEB generally take the form of health insurance and dental, vision, prescription and other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. It may also include some types of life insurance, legal services, and other benefits.

In health insurance plans where a government's retirees and current employees are insured together in a group (as is in our case), the premiums paid by the retirees may be lower than they would have been if the retirees were insured separately – this is called an “implicit rate subsidy.” Trout Creek School District retirees are allowed to continue health insurance coverage (including optional dental and vision coverage) on the district's plan through MUST, but are required to pay their own premiums. No other post employment benefits are offered to our retirees. Since Trout Creek School District does not contribute any amounts to retiree health insurance premiums, the Other Post Employment Benefits (OPEB) for the retiree are an “implicit rate subsidy.”

The next table shows the revenue amounts for Fiscal Year 2013 and Fiscal Year 2014 as shown in the “Statement of Activities,” plus the increase /decrease in revenues and the percentage increase/decrease from the prior year.

REVENUES	FY 2013	FY 2014	Incr/(Decr.)	% Incr/(Decr)
Program Revenues				
Charges for services	\$1,480	\$1,609	\$129	8.72%
Operating Grants & contributions	\$438,627	\$422,885	(\$15,742)	(3.59%)
General Revenues				
Property taxes	\$301,589	\$328,117	\$26,528	8.80%
Non-restricted Grants/Entitlements	\$197,501	\$212,037	\$14,536	7.36%
State entitlement	\$125,633	\$125,083	(\$550)	(0.44%)
County retirement	\$54,867	\$73,902	\$19,035	34.69%
Other general revenues	\$22,879	\$23,155	\$276	1.21%
Total Revenues	\$1,142,576	\$1,186,788	\$44,212	3.87%

The decrease seen in **Program Revenues** was due to no longer receiving funding for the Peer Coaching for Technology Integration (PCTI) grant. The PCTI grant ended in September 2013.

Under **General Revenues**, our “County Retirement” increased by 34.69%. This was due to the payment we had to make to the Montana Teachers’ Retirement System under HB 377.

The next table shows program expenses from the “Statement of Activities” for each Fiscal Year (2013 & 2014), plus increases/decreases in expenses (including depreciation), and the percentage of increase/decrease from the prior year. (Note: Capital asset expenses are allocated over the life of the asset in the “Statement of Activities.”)

Governmental Activities	FY 2013	FY 2014	Incr/(Decr.)	% Incr/(Decr.)
Regular programs	\$370,149	\$398,340	\$28,191	7.62%
Special programs	\$109,926	\$137,338	\$27,412	24.94%
Adult education programs	\$4,505	\$4,077	(\$428)	(9.50%)
Supporting Services-operations & maintenance →	\$99,053	\$122,560	\$23,507	23.73%
general & educational media →	\$181,434	\$135,099	(\$46,335)	(25.54%)
Administration	\$150,146	\$171,196	\$21,050	14.02%
Student Transportation	\$194,540	\$183,749	(\$10,791)	(5.55%)
Extracurricular activities	\$8,719	\$6,461	(\$2,258)	(25.90%)
School food	\$75,925	\$76,857	\$932	1.23%
Unallocated depreciation	\$200	\$200	0	0
Total Expenses	\$1,194,597	\$1,235,877	\$41,280	3.46%

In FY 2014, we see considerable increase in “Special programs” expenses. The district continues to have a high population of special needs students. In FY 2014, we hired additional special education paraprofessionals to help service these students. We also see considerable increase in “Supporting Services – operations & maintenance” expenses. This was mostly due to expenditures for School Safety improvements, and new playground equipment. The decrease seen in “Supporting Services – general & educational media,” was due to the PCTI grant ending, resulting in less expenditures in this area. The increase seen in “Administration” was due to increasing the office assistant to half-time. The decrease seen in “Extracurricular activities” was due to not hiring coaches for Jr. High football and cheerleading in FY 2014.

The “Statement of Activities” and the “Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds” both show the current year revenues and expenditures for the district’s governmental funds. The “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to The Statement of Activities” explains the differences between the two statements.

The following chart summarizes the percentages of revenues used for the governmental expenses, as shown in the “Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds.”

Trout Creek School District No. 6	Fiscal Year 2013	Fiscal Year 2014
Expenditures supported with General Revenues (from taxes and other sources for general school use)	58.8%	61.7%
Expenditures Supported with Program Revenues	36.8%	34.3%
Excess/(Deficiency) of Expenditures over Revenues	4.4%	4%
Total Expenditures Related to Governmental Activities	100%	100%

In FY 2014, we see more expenditures supported by General Revenues. This is due to the extra revenue in the Retirement Fund to cover the required payment to the Teachers’ Retirement System, and taxes levied in the Tuition fund. Both of these would have had increased expenditures supported with General Revenues.

The district’s Capital Assets are shown in the following table. There is no debt owed on any of the district’s assets.

Asset Category	Capital Assets as of 6/30/2013	Added in FY14	Fiscal Year 2014 Depreciation and Removals	Capital Assets as of 6/30/2014
Land	\$7,353.00			\$7,353.00
Land Improvements	\$44,765.20	\$15,869.00	\$3,080.00	\$57,554.20
Buildings	\$332,762.96		\$11,389.25	\$321,373.71
Machinery/Equipment	\$24,620.00		\$3,320.00	\$21,300.00
Construction in Progress				
Totals	\$409,501.16	\$15,869.00	\$17,789.25	\$407,580.91

The district's "Capital Assets as of 6/30/2013" column represents the cost of the asset minus accumulated depreciation over the years. The next column shows any capital assets added during the current fiscal year, and the column after that shows current year depreciation and any assets removed. In FY 2014, we added new playground equipment under "Land Improvements" through a KABOOM grant and other local donations. The amounts removed in FY 2014 were for depreciation. The last column shows the Capital Assets at the end of the current year. As you can see, "Land" does not have any depreciation applied. "Land Improvements" include such things as sidewalks, lighting, fencing, the tennis/basketball court and such things that improve the value of the land itself.

In the "Statement of Activities" the depreciation for the current fiscal year is applied to different "functions" of the "Governmental activities." The Board of Trustees approved the following guidelines for applying depreciation to the different functions.

- 1) For the Old Section of the Main School Building – 80% applied to Instruction; 20% to Financial Administration.
- 2) For the New Section of the Main School Building – 70% applied to Instruction; 18% to Operations & Maintenance; 8% to School Food; and 4% applied to School Administration.
- 3) For the Gymnasium – 75% applied to Instruction; and 25% to Extracurricular.
- 4) All depreciation for Land Improvements was applied to Operations & Maintenance, except for the tennis/basketball court which was applied to Extracurricular.
- 5) Depreciation on the two teacher houses was shown as "unallocated depreciation."

The new section of the main school building was added on in 1979, and an outside restroom was built in 1993. The rest of the district's buildings are over 50 years old. Because of this, and since all the buildings are still in use, the buildings are being depreciated over an 80 year period. The depreciation method used by the district is referred to as "straight line" depreciation. Straight line depreciation is calculated by taking the cost of the asset minus its salvage value, and dividing by the asset's useful life. This will equal the annual depreciation for the asset.
(Cost of Asset – Salvage Value ÷ Useful Life = Annual Depreciation)

The Future of the District

The economic status in our area makes it difficult to request and pass levies for operation of district programs. However, in FY 2013 and FY 2014, our General Fund budgets were above the maximum, so we could not request any levies. We see an increasing need to write for grants to help fund our programs. For FY 2013, we chose to hire a special education teacher to service our high needs special education students. Adding another certified teacher increased our quality educator payment in the General Fund budget for FY 2014. Also for FY 2014, new legislation allowed districts to permissively levy funds in the Tuition Fund to cover costs for "in-district" high needs special education students. This capability is very helpful for our district.

Although our enrollment seems to be stabilizing, unless something happens to stimulate economy in our area, it is unlikely that people will be moving here. Because there are elementary schools in Noxon and Thompson Falls, we still see students leaving our district to attend a neighboring school. The larger student populations at neighboring schools tend to draw students who are seeking more socialization; plus students may be attending high school there in the future. We continue to improve programs and education at Trout Creek School in order to keep students and draw in new students. In FY 2011, the Board of Trustees started a free preschool, which is currently the only free preschool in the Noxon, Trout Creek, Thompson Falls areas. The trustees were concerned with the number of students that were going to neighboring schools, whose parents had never contacted Trout Creek School. The hope is that if children begin preschool here, they may continue enrollment in Trout Creek School, instead of automatically going to Noxon or Thompson Falls. FY 2013 was the first year we received the 21st Century Community Learning Centers Grant for an after school and summer school program. This grant continues for a five year period as long as we apply each year.

We still have a significant number of students attending our school who qualify for special education services or are high needs students because of emotional disturbances. The addition of the Altacare Program has assisted the district in helping to provide these children with the skills they need to function in the classroom. The Altacare Program is contracted by the District, and is funded primarily with Medicaid funds. We are also seeing an increase in high needs special education students. With the added costs of hiring a certified special education teacher and aide, we applied for a Significant Needs Students Grant in FY 2013 and FY 2014. We were awarded \$15,000 from this grant in FY 2013, and \$30,166 in FY 2014, which greatly helped cover some of the added expenses. This also helps us save monies we would be spending from our Flex Fund. Also, for FY 2014, we were able to permissively levy for some special education costs for “in-district” high needs special education students. This capability was passed by the 2013 legislature, and allows for the revenues and expenditures to be accounted for in a Tuition Fund. The 2013 legislature also passed SB 348, which authorizes school districts to transfer state and local revenue from any budgeted or non-budgeted fund (other than the debt service fund or retirement fund), to the building reserve fund to cover costs of improvements to school safety, installing or updating locking mechanisms and ingress and egress systems at public school access points, installing or upgrading bullet-resistant windows and barriers, and installing or updating emergency response systems using contemporary technologies. These transfers can be made during FY 2013, 2014 and 2015. Both of these legislative decisions will help us save monies in our Flex Fund. Since we have been budgeting everything to the penny, the Flex Fund serves as our safety net when added expenditures arise. However, in FY 2015 we have seen a significant increase in our K-6 student population, and the trustees have passed three FY 2015 budget amendments to get additional direct state aid funding due to unanticipated enrollment increases. These increases are partly due to the trustees approving special enrollment of 14 four-year olds into a half-time kindergarten program, but other grade levels have increased in student numbers as well. Our 7-8 enrollment is still low. At mid-year, the trustees approved hiring another certified teacher to help with the increased work load. This increased enrollment will boost our ANB which will determine funding for our FY 2016 budget. We will see significantly more funding in our General Fund for FY 2015 and FY 2016.

The district continues to use the programs that were implemented to increase student achievement which began in FY 2006; and add additional programs that correspond to Common Core Standards. These programs include: Read Well program to enhance reading in grades K through 2; and MAP (Measures of Academic Progress) testing to assess progress in grades 3 through 8.

At the beginning of FY 2007, a Corrective Reading Program was implemented in grades 5 through 8 to help bring students up to grade level in Reading. We are seeing proficient/advanced test scores in Reading, and have been focusing more on improving Math scores. Our math scores have been maintaining proficiency levels. Curriculum aligned with State Standards is being provided through the Northwest Montana Curriculum Cooperative. The district now uses Smarter Balance practice test questions for students. This is being done in order to help increase proficient test scores on the new Smarter Balance state assessments. Technology is also integrated throughout the curriculum to improve student achievement.

The district continues to support a Gifted & Talented program, even though state grant monies to support the program are less than half what they used to be. Trout Creek School's Gifted and Talented Lego Robotics team continues to compete in the First Lego League Competition each year. The district funds the program with General Fund money, state grant money and with student fundraisers. We hope that continuing this program will increase student achievement, and help draw and keep students at Trout Creek School in future years. Perhaps the influx of students that we have seen this year is due to the quality programs that we are offering at Trout Creek School.

When the Board of Trustees was faced with the Fiscal Year 2004 budget cuts, they discussed the following goals for the district: 1) Maintain students we currently have and encourage more students to come in; 2) Restructure to improve the quality of education; and 3) Restructure to stay within maximum budget limits. Hopefully, we can continue to achieve these goals in the future, by providing quality education to students, and being fiscally responsible to taxpayers. We have been successful in raising test scores since FY 2007, which showed scores below state averages. Each year since, we have increased CRT performance levels, and in FY 2011 we achieved levels that were at the state average or above the state average in Reading, Math and Science.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Trout Creek Public School
Sanders County
Trout Creek, 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 Trout Creek Public School, Sanders County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the 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 Trout Creek Public School, Sanders County, Montana, as of and for the year ended 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Trout Creek Public School, Sanders County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 9, 35 through 39, and 40 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 the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are fairly stated in all material respects in relation to the 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 15, 2015, on our consideration of the Trout Creek Public School, Sanders County, Montana'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 Trout Creek Public School, Sanders County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPA's, P.C.

June 15, 2015

Trout Creek School District, Sanders County, Montana
Statement of Net Position
June 30, 2014

		<u>Governmental Activities</u>
ASSETS		
Current assets:		
Cash and investments	\$	214,934
Taxes and assessments receivable, net		9,876
Due from other governments		2,209
Total current assets	\$	<u>227,019</u>
Noncurrent assets		
Capital assets - land	\$	7,353
Capital assets - depreciable, net		400,228
Total noncurrent assets	\$	<u>407,581</u>
Total assets	\$	<u>634,600</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$	22,672
Accrued payroll		5,253
Current portion of compensated absences payable		11,704
Total current liabilities	\$	<u>39,629</u>
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	150,801
Noncurrent portion of compensated absences		32,403
Total noncurrent liabilities	\$	<u>183,204</u>
Total liabilities	\$	<u>222,833</u>
NET POSITION		
Net investment in capital assets	\$	407,581
Restricted for capital projects		462
Restricted for debt service		2,949
Restricted for special projects		101,549
Unrestricted		(100,774)
Total net position	\$	<u>411,767</u>

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>				<u>Governmental Activities</u>
Instructional - regular	\$ 398,340	\$ -	\$ 96,886	\$ (301,454)
Instructional - special education	137,338	-	59,583	(77,755)
Instructional - adult education	4,077	550	-	(3,527)
Supporting services - operations & maintenance	122,560	-	-	(122,560)
Supporting services - general	107,834	-	153,678	45,844
Supporting services - educational media services	27,265	-	3,679	(23,586)
Administration - general	927	-	-	(927)
Administration - school	73,653	-	16,640	(57,013)
Administration - business	96,616	-	-	(96,616)
Student transportation	183,749	-	61,508	(122,241)
Extracurricular	6,461	-	-	(6,461)
School food	76,857	1,059	30,911	(44,887)
Unallocated depreciation*	200	-	-	(200)
Total governmental activities	\$ 1,235,877	\$ 1,609	\$ 422,885	\$ (811,383)
General Revenues:				
			\$	328,117
				212,037
				546
				1,759
				20,850
				125,083
				73,902
			\$	762,294
			\$	(49,089)
			\$	460,856
			\$	411,767

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Technology</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 94,382	\$ 45,719	\$ 34,823	\$ 20,554	\$ 9,537	\$ 9,919	\$ 214,934
Taxes and assessments receivable, net	4,716	3,801	-	-	755	604	9,876
Due from other funds	-	-	-	-	-	8,000	8,000
Due from other governments	-	-	-	2,116	-	93	2,209
Total assets	<u>\$ 99,098</u>	<u>\$ 49,520</u>	<u>\$ 34,823</u>	<u>\$ 22,670</u>	<u>\$ 10,292</u>	<u>\$ 18,616</u>	<u>\$ 235,019</u>
Current liabilities:							
Accounts payable	\$ 2,327	\$ 160	\$ -	\$ 14,666	\$ 4,565	\$ 954	\$ 22,672
Accrued payroll	2,637	197	495	1,425	-	499	5,253
Due to other funds	-	7,672	-	-	-	328	8,000
Total liabilities	<u>\$ 4,964</u>	<u>\$ 8,029</u>	<u>\$ 495</u>	<u>\$ 16,091</u>	<u>\$ 4,565</u>	<u>\$ 1,781</u>	<u>\$ 35,925</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	<u>\$ 4,715</u>	<u>\$ 3,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755</u>	<u>\$ 604</u>	<u>\$ 9,875</u>
FUND BALANCES							
Restricted	\$ -	\$ 37,690	\$ 34,328	\$ 6,579	\$ 4,972	\$ 16,231	\$ 99,800
Unassigned fund balance	89,419	-	-	-	-	-	89,419
Total fund balance	<u>\$ 89,419</u>	<u>\$ 37,690</u>	<u>\$ 34,328</u>	<u>\$ 6,579</u>	<u>\$ 4,972</u>	<u>\$ 16,231</u>	<u>\$ 189,219</u>

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 189,219
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	407,581
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	9,875
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(194,908)
Total net position - governmental activities	\$ <u>411,767</u>

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Technology</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Local revenue	\$ 134,222	\$ 127,762	\$ 93	\$ 38,328	\$ 24,950	\$ 26,663	\$ 352,018
County revenue	-	20,874	73,902	-	-	-	94,776
State revenue	335,549	31,093	-	184,727	4,867	93	556,329
Federal revenue	-	-	-	136,260	-	30,818	167,078
Total revenues	<u>\$ 469,771</u>	<u>\$ 179,729</u>	<u>\$ 73,995</u>	<u>\$ 359,315</u>	<u>\$ 29,817</u>	<u>\$ 57,574</u>	<u>\$ 1,170,201</u>
EXPENDITURES							
Instructional - regular	\$ 188,486	\$ -	\$ 52,588	\$ 105,860	\$ 7,680	\$ 42	\$ 354,656
Instructional - special education	16,246	-	6,067	101,391	-	13,634	137,338
Instructional - adult education	-	-	-	-	-	4,077	4,077
Supporting services - operations & maintenance	92,193	888	5,451	7,013	28	7,550	113,123
Supporting services - general	7,586	-	1,138	99,110	-	-	107,834
Supporting services - educational media services	1,229	-	2,091	6,967	16,978	-	27,265
Administration - general	743	-	-	-	-	-	743
Administration - school	40,144	6,602	7,718	18,253	-	-	72,717
Administration - business	74,905	5,627	7,251	2,219	775	5,839	96,616
Student transportation	-	163,925	-	19,824	-	-	183,749
Extracurricular	5,403	-	410	-	-	-	5,813
School food	39,557	-	3,893	-	-	31,639	75,089
Total expenditures	<u>\$ 466,492</u>	<u>\$ 177,042</u>	<u>\$ 86,607</u>	<u>\$ 360,637</u>	<u>\$ 25,461</u>	<u>\$ 62,781</u>	<u>\$ 1,179,020</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,279</u>	<u>\$ 2,687</u>	<u>\$ (12,612)</u>	<u>\$ (1,322)</u>	<u>\$ 4,356</u>	<u>\$ (5,207)</u>	<u>\$ (8,819)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ 8,000
Transfers out	-	(7,672)	-	-	-	(328)	(8,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (7,672)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,672</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 3,279</u>	<u>\$ (4,985)</u>	<u>\$ (12,612)</u>	<u>\$ (1,322)</u>	<u>\$ 4,356</u>	<u>\$ 2,465</u>	<u>\$ (8,819)</u>
Fund balances - beginning	\$ 86,140	\$ 42,675	\$ 46,940	\$ 7,901	\$ 616	\$ 13,766	\$ 198,038
Fund balance - ending	<u>\$ 89,419</u>	<u>\$ 37,690</u>	<u>\$ 34,328</u>	<u>\$ 6,579</u>	<u>\$ 4,972</u>	<u>\$ 16,231</u>	<u>\$ 189,219</u>

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (8,819)
---	------------

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Depreciation expense	(17,789)
------------------------	----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	718
- Contributed Capital Assets	15,869

The change in compensated absences is shown as an expense in the Statement of Activities

1,190

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(40,258)
--	----------

Change in net position - Statement of Activities	\$ <u>(49,089)</u>
---	---------------------------

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS				
Cash and short-term investments	\$	5,235	\$	13,397
Total assets	\$	<u>5,235</u>	\$	<u>13,397</u>
LIABILITIES				
Warrants payable	\$	-	\$	13,397
Total liabilities	\$	<u>-</u>	\$	<u>13,397</u>
NET POSITION				
Assets held in trust	\$	<u>5,235</u>		

See accompanying Notes to the Financial Statements

Trout Creek School District, Sanders County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>9,966</u>
Total additions	\$	<u>9,966</u>
 DEDUCTIONS		
Student activities	\$	<u>11,133</u>
Total deductions	\$	<u>11,133</u>
Change in net position	\$	<u>(1,167)</u>
 Net Position - Beginning of the year	 \$	 6,402
 Net Position - End of the year	 \$	 <u><u>5,235</u></u>

See accompanying Notes to the Financial Statements

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASB No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the Entity complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Entity.

Primary Government

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the 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 all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General 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.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

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

Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of 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. The fund may be used only to support costs of home-to-school transportation

Retirement Fund – Authorized by Section 20-9-201, 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 County wide levy for retirement.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements.

Technology Fund – Authorized by Section 20-9-533, MCA to purchase, rent, repair and maintain technological equipment and to provide technical training for district personnel. Funded by a state grant authorized by Section 20-9-534, MCA, and a voted levy.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2014, consisted of demand deposits, savings deposits, money market accounts and certificates of deposit.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Sanders County deposits and investments is available from Sanders County Treasurer’s office, PO Box 519, Thompson Falls, Montana 59873. Fair value approximates carrying value for investments as of June 30, 2014. The Sanders County external investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District’s deposit balance at year end was \$5,235 and the bank balance was \$5,212. The District’s deposits at year-end were insured by FDIC.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

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

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES

The costs of inventories are recorded as expenditures when purchased.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 – 80 years
Improvements	20 years
Equipment	5 – 15 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2013 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

A summary of changes in governmental capital assets was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Donations</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 7,353	\$ -	\$ -	\$ 7,353
Other capital assets:				
Buildings	\$ 624,907	\$ -	\$ -	\$ 624,907
Improvements other than buildings	78,430	-	15,869	94,299
Machinery and equipment	41,880	-	-	41,880
Total other capital assets at historical cost	\$ 745,217	\$ -	\$ 15,869	\$ 761,086
Less: accumulated depreciation	\$ (343,069)	\$ (17,789)	\$ -	\$ (360,858)
Total	<u>\$ 409,501</u>	<u>\$ (17,789)</u>	<u>\$ 15,869</u>	<u>\$ 407,581</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Instructional – regular	\$ 4,616
Supporting services – operations and maintenance	184
Administration – general	938
Administration – school	9,437
Student transportation	1,768
Extracurricular	648
Unallocated	198
Total governmental activities depreciation expense	<u>\$ 17,789</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Restatements</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 45,297	\$ -	\$ -	\$ 45,297	\$ 11,704
Other post-employment benefits*	110,543	40,256	2	150,801	-
Total	<u>\$ 155,840</u>	<u>\$ 40,256</u>	<u>\$ 2</u>	<u>\$ 196,098</u>	<u>\$ 11,704</u>

*See Note 7

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

Teachers receive 11 days at the beginning of each year. Teachers also receive a maximum of 5 personal days per year, if they carry over one day from the previous year. Any carry over beyond one day may be carried over as sick leave. Upon termination, teachers are paid accumulated sick leave at the rate of 40% of the daily wage rate.

In the event an employee's contract is terminate by the application of State law or by mutual agreement prior to the expiration of its term, the sick leave days shall be pro-rated on the basis of 1.1 days per month for the months of September through June.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

Special Retirement Benefits

The School District offers any teacher who retires under TRS, with at least fifteen years of which have been served in the Trout Creek School District, will receive termination pay equal to fifty percent (50%) of the difference between teacher's annual salary at the time of retirement minus the base salary of the salary schedule. The District shall determine whether the termination pay would occur from the fiscal year retired, or on July 1 of the following school fiscal year. In fiscal year 2014 the District did not have any termination payments.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$	256,421
Actuarial value of plan assets		0
Unfunded Actuarial Accrued Liability (UAAL)	\$	256,421
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	390,333
UAAL as a percentage of covered payroll		65.69%

Annual OPEB Cost and Net OPEB Obligation. 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (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 changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	40,256
Annual OPEB cost (expense)	\$	40,256
Contributions made		0
Increase in net OPEB obligation	\$	40,256
Net OPEB obligation - beginning of year		110,543
Net OPEB obligation - end of year	\$	150,801

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	0.50%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2014	4.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and thereafter	6.9%

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, were as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SB348 School	Building Reserve –	Transportation – Major	\$ 7,672
Safety	Nonmajor Governmental	Governmental	
SB348 School	Building Reserve –	Adult Education –	328
Safety	Nonmajor Governmental	Nonmajor Governmental	
			<u>\$ 8,000</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
SB348 School	Building Reserve –	Transportation – Major	\$ 7,672
Safety	Nonmajor Governmental	Governmental	
SB348 School	Building Reserve –	Adult Education –	328
Safety	Nonmajor Governmental	Nonmajor Governmental	
			<u>\$ 8,000</u>

TROUT CREEK PUBLIC SCHOOL
 SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 9. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 6,844	\$ 21,764
2013	\$ 6,924	\$ 18,823
2014	\$ 7,885	\$ 28,951

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 37,690	Student transportation
Retirement	34,328	Employer portion of employee benefits
Miscellaneous Programs	6,579	Third party grantor restrictions
Technology	4,972	Instructional - regular
All other Aggregate		
	4,293	Food services
	3,167	Instructional – special education
	3,500	Instructional – adult education
	1,872	Operations and maintenance
	2,949	Debt service
	<u>450</u>	Capital projects
	<u>\$ 99,800</u>	

NOTE 11. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Northwest Montana Educational Cooperative

The district participates in the Northwest Montana Educational Cooperative pursuant to the provisions of Sections 7-11-101 through 7-11-108, M.C.A., and sections 20-9-701 through 20-9-704. The purpose of the cooperative is to maintain and employ personnel to oversee and coordinate the operation and management of educational services including, but not limited to, joint purchases of materials and the curriculum development process in each of the participating districts, in compliance with all applicable laws, administrative rules and regulations, State and Federal. The District pays the cooperative an amount determined by the elected seven member executive council. The interlocal agreement in which the cooperative was formed, will be in force from July 1, 2013 to June 30, 2014. The annual fees assessed to the District during fiscal year 2013 were \$1,734.

Special Education Cooperative

The District is a member of the Sanders County Educational Services Cooperative. The Cooperative is comprised of six member districts, each of which contributes to the operating costs of providing special educational services to the participating districts. Each year each member District appoints a member to the Joint Advisory Board. From this Board, a four member management council is elected to administer to the Cooperative.

The District's contributions for the payment of the special educational services provided was \$10,846 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Sanders County Educational Services Cooperative, P.O. Box 129, Thompson Falls, MT 59873.

NOTE 12. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 13. RISK MANAGEMENT

The District faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TROUT CREEK PUBLIC SCHOOL
SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Trout Creek School District, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 134,398	\$ 134,398	\$ 134,111	\$ (287)
County revenue	-	-	-	-
State revenue	331,556	331,556	331,556	-
Amounts available for appropriation	\$ 465,954	\$ 465,954	\$ 465,667	\$ (287)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 186,286	\$ 186,286	\$ 188,486	\$ (2,200)
Instructional - special education	28,423	28,423	16,246	12,177
Supporting services - operations & maintenance	86,669	86,669	92,193	(5,524)
Supporting services - general	7,826	7,826	7,586	240
Supporting services - educational media services	200	200	779	(579)
Administration - general	850	850	743	107
Administration - school	38,353	38,353	40,144	(1,791)
Administration - business	70,635	70,635	74,905	(4,270)
Student transportation	-	-	-	-
Extracurricular	6,080	6,080	5,403	677
School food	40,720	40,720	39,557	1,163
Total charges to appropriations	\$ 466,042	\$ 466,042	\$ 466,042	\$ -
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ (375)	
Fund balance - beginning of the year			\$ 49,193	
Fund balance - end of the year			\$ 48,818	

Trout Creek School District, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Transportation			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 127,927	\$ 127,927	\$ 127,762	\$ (165)
County revenue	26,926	26,926	20,874	(6,052)
State revenue	37,145	37,145	31,093	(6,052)
Amounts available for appropriation	\$ 191,998	\$ 191,998	\$ 179,729	\$ (12,269)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	790	790	888	(98)
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	6,606	6,606	6,602	4
Administration - business	5,425	5,425	5,627	(202)
Student transportation	182,779	182,779	163,925	18,854
Extracurricular	-	-	-	-
School food	-	-	-	-
Total charges to appropriations	\$ 195,600	\$ 195,600	\$ 177,042	\$ 18,558
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (7,672)	\$ (7,672)
Net change in fund balance			\$ (4,985)	
Fund balance - beginning of the year			\$ 42,675	
Fund balance - end of the year			\$ 37,690	

Trout Creek School District, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 98	\$ 98	\$ 93	\$ (5)
County revenue	73,902	73,902	73,902	-
State revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ 73,995</u>	<u>\$ (5)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 70,514	\$ 70,514	\$ 52,588	\$ 17,926
Instructional - special education	-	-	6,067	(6,067)
Supporting services - operations & maintenance	5,985	5,985	5,451	534
Supporting services - general	1,086	1,086	1,138	(52)
Supporting services - educational media services	2,601	2,601	2,091	510
Administration - general	-	-	-	-
Administration - school	7,410	7,410	7,718	(308)
Administration - business	7,338	7,338	7,251	87
Student transportation	-	-	-	-
Extracurricular	1,006	1,006	410	596
School food	4,843	4,843	3,893	950
Total charges to appropriations	<u>\$ 100,783</u>	<u>\$ 100,783</u>	<u>\$ 86,607</u>	<u>\$ 14,176</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (12,612)</u>	
Fund balance - beginning of the year			<u>\$ 46,940</u>	
Fund balance - end of the year			<u><u>\$ 34,328</u></u>	

Trout Creek School District, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Technology			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 25,003	\$ 25,003	\$ 24,950	\$ (53)
County revenue	-	-	-	-
State revenue	4,867	4,867	4,867	-
Amounts available for appropriation	<u>\$ 29,870</u>	<u>\$ 29,870</u>	<u>\$ 29,817</u>	<u>\$ (53)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 9,133	\$ 9,133	\$ 7,680	\$ 1,453
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	790	790	28	762
Supporting services - general	-	-	-	-
Supporting services - educational media services	20,563	20,563	16,978	3,585
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	775	(775)
Student transportation	-	-	-	-
Extracurricular	-	-	-	-
School food	-	-	-	-
Total charges to appropriations	<u>\$ 30,486</u>	<u>\$ 30,486</u>	<u>\$ 25,461</u>	<u>\$ 5,025</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 4,356</u>	
Fund balance - beginning of the year			<u>\$ 616</u>	
Fund balance - end of the year			<u><u>\$ 4,972</u></u>	

Trout Creek School District, Sanders County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>	<u>Technology</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 465,667	\$ 179,729	\$ 73,995	\$ 29,817
Combined funds (GASBS 54) revenues	<u>4,104</u>			
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 469,771</u>	<u>\$ 179,729</u>	<u>\$ 73,995</u>	<u>\$ 29,817</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 466,042	\$ 177,042	\$ 86,607	\$ 25,461
Combined funds (GASBS 54) expenditures	<u>450</u>			
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 466,492</u>	<u>\$ 177,042</u>	<u>\$ 86,607</u>	<u>\$ 25,461</u>

Note B

The Miscellaneous Programs fund is a major special revenue fund in which a legally adopted budget is not required.

Trout Creek Public School, Sanders County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 167,003	\$ 167,003	0%	\$ 372,296	44.9%
July 1, 2012	\$ -	\$ 256,421	\$ 256,421	0%	\$ 390,333	65.7%

SUPPLEMENTAL INFORMATION

Trout Creek Public School
 Sanders County, Montana
SCHEDULE OF ENROLLMENT
 For the Fiscal Year Ended June 30, 2014

Fall Enrollment - October, 2013

Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten Full	8	8	0
Grades 1-6	32	32	0
Grades 7-8	9	9	0
Total Elementary	49	49	0

Winter Enrollment - December, 2013

Elementary School District

	WINTER		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten Full	7	7	0
Grades 1-6	30	30	0
Grades 7-8	10	10	0
Total Elementary	47	47	0

Spring Enrollment - February, 2014

Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten - Full	7	7	0
Grades 1-6	29	29	0
Grades 7-8	9	9	0
Total Elementary	45	45	0

Trout Creek Public School
 Sanders County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
8th Grade	\$ 259	\$ 2,886	\$ 2,872	\$ 273
Misc	756	1,070	1,357	469
Library	2,102	1,203	1,447	1,858
Athletics	509	270	307	472
Wrestling Mats	400	-	-	400
Robomaniacs	17	-	-	17
Student Council	994	2,786	3,207	573
Reading Incentive Program	529	-	240	289
PTO/STAR	13	881	584	310
Music	823	870	1,119	574
Total	<u>\$ 6,402</u>	<u>\$ 9,966</u>	<u>\$ 11,133</u>	<u>\$ 5,235</u>

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

Board of Trustees
Trout Creek Public School
Sanders County
Trout Creek, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Trout Creek Public School, Sanders County, Montana, as of and for the Year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Trout Creek Public School's basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trout Creek Public School, Sanders County, Montana'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 Trout Creek Public School, Sanders County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Trout Creek Public School's internal control over financial reporting.

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 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 the Trout Creek Public School'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 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.

Denning, Downey and Associates, CPAs, P.C.

June 15, 2015