

**SCHOOL DISTRICT NUMBER 24  
YELLOWSTONE COUNTY  
WORDEN, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

**OLNESS & ASSOCIATES, P. C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION .....	1
INDEPENDENT AUDITOR'S REPORT .....	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis .....	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position .....	8
Statement of Activities .....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Net Position - Fiduciary Funds.....	14
Statement of Changes in Net Position - Fiduciary Fund .....	15
Notes to Basic Financial Statements.....	16
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund .....	23
Note to Required Supplementary Information .....	24
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards .....	25
Extracurricular Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances.....	27
Schedule of School District Enrollment.....	28
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS .....	29
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	30
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 .....	32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	34
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS .....	37

SCHOOL DISTRICT NUMBER 24

ORGANIZATION

June 30, 2014

BOARD OF TRUSTEES

Mark Fox	Chairman
Steve Erb	Vice-Chairman
Tim Moullet	Trustee
Mark Jones	Trustee
Clint Johannes	Trustee

OFFICIALS

Wes Coy	Superintendent
Rita Huck	Clerk

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
School District Number 24  
Worden, 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 School District Number 24, Worden, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government'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.

### Basis for Qualified Opinion

Management has not recorded the service credit and termination pay benefit liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the service credit and termination pay benefit liability and related expense be recorded, which would increase the liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses has not been determined.

Management has not recorded the other post-employment benefit (OPEB) liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase the liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses has not been determined.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the government, as of June 30, 2014, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the government as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity 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 identified 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 the government's basic financial statements. The extracurricular fund schedule and schedule of school district enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The extracurricular fund schedule, schedule of school district enrollment and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 extracurricular fund schedule, schedule of school district enrollment and the schedule of expenditures of federal awards 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 October 10, 2014, on our consideration of the government'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 the government's internal control over financial reporting and compliance.

*O'Leary & Associates, PC*

Billings, Montana  
October 10, 2014

SCHOOL DISTRICT NUMBER 24  
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of School District Number 24's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements and footnotes which begin on page 8.

### FINANCIAL HIGHLIGHTS

- Net position increased \$363,577 as a result of this year's operations
- Total fund balances increased \$793,780 over the prior year.
- General fund budget authority increased \$260,572 over the prior year.
- The general fund budget was amended for an unanticipated enrollment increase.

### USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. The fund financial statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### Government-wide financial statements

One of the most important questions asked about the government's finances is, "Is the district as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 8 and 9) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and changes in it. You can think of net position - the difference between assets and liabilities/deferred inflows - as one way to measure the government's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the government's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

#### Fund financial statements

The fund financial statements (pages 10 and 12) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 11 and 13, respectively).

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SCHOOL DISTRICT NUMBER 24  
MANAGEMENT'S DISCUSSION & ANALYSIS

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful way to measure the government's financial health. In our case, assets exceeded liabilities by \$13,163,445 as of June 30, 2014. Following are schedules of net position and changes in net position.

NET POSITION:	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,812,693	\$ 5,392,602
Capital assets	<u>17,398,983</u>	<u>17,554,259</u>
Total assets	<u>23,211,676</u>	<u>22,946,861</u>
Other liabilities	76,847	172,500
Long-term liabilities outstanding	<u>9,971,384</u>	<u>9,974,493</u>
Total liabilities	<u>10,048,231</u>	<u>10,146,993</u>
Net position:		
Net investment in capital assets	10,511,937	10,086,452
Restricted	1,396,233	1,242,785
Unrestricted	<u>1,255,275</u>	<u>1,470,631</u>
	<u>\$ 13,163,445</u>	<u>\$ 12,799,868</u>

CHANGE IN NET POSITION:	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 218,084	\$ 211,591
Operating grants and contributions	1,866,315	1,865,948
General revenues:		
Taxes	2,592,703	2,816,924
State sources	3,632,218	3,487,374
County sources	790,710	626,969
Miscellaneous	47,868	47,154
Interest	<u>34,893</u>	<u>71,277</u>
Total revenues	<u>9,182,791</u>	<u>9,127,237</u>

SCHOOL DISTRICT NUMBER 24  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION: (continued)	2014	2013
Expenses:		
Instruction	4,829,681	4,708,372
Support services-students	318,315	275,621
Support services-instructional staff	191,284	226,736
Support services-general administration	131,975	137,399
Support services-administration	444,228	438,179
Support services-business	243,916	184,375
Operation and maintenance	1,085,423	1,069,285
Student transportation	668,311	635,401
Food services	522,555	498,384
Extracurricular	256,176	251,187
Interest on long-term debt	127,350	266,715
	8,819,214	8,691,654
Total expenses		
Change in net position	363,577	435,583
Net position, beginning	12,799,868	12,364,285
Net position, ending	\$ 13,163,445	\$ 12,799,868

Revenues increased \$56,000 over the prior year.

Expenses increased \$128,000 mainly due to employee raises, the resulting increase in payroll taxes and a one-time payment to fund TRS.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds. The General fund is always reported as a major fund.

Fund balance for the General fund increased \$112,424. The increase resulted from collection of protested and prior year delinquent property taxes.

The Miscellaneous Programs fund fund balance decreased \$41,968. The decrease was the result of spending donated funds from the school fire.

Fund balance in the Debt Service fund increased \$595,307. The increase occurred because we levied for the funding of long-term debt sinking fund payments.

There were no significant budget variances for the General fund. The General fund was amended for an unanticipated increase in enrollment. The expenditure budget was increased \$45,505.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

During the year we purchased a bus, a pressure washer, overhead doors, security systems, a paging system and upgraded electrical and sewer systems.

During 2010, we issued \$9,750,000 Qualified School Construction Bonds. The bonds were issued as tax credit bonds and bear an interest rate of 1.3%. The bond proceeds were used to build a new high school and junior high. See the notes to the basic financial statements for more information related to long-term debt.

SCHOOL DISTRICT NUMBER 24  
MANAGEMENT'S DISCUSSION & ANALYSIS

**THE GOVERNMENT'S FUTURE**

The Huntley Project School District purchased one bus for our fleet. When this bus was purchased, we traded in an older bus.

The School District asked the taxpayers to approve a \$150,000 mill levy for the General fund in the annual school election in May 2014. This levy request failed. We feel that the need for the additional funds was not conveyed to the taxpayers effectively. Cuts have been made to the maintenance and school lunch programs. The School Board Trustees also implemented a "Pay to Play" policy for activities and athletics that will help to offset costs to the General fund.

A new Board member, Bob Crane, was elected in May 2014.

In the upcoming years, we are concerned about funding. With the uncertainty of funding, salary increases may strain the budget further. Approximately 92% of the School District's budget is spent on salaries. The classified union has one more year on their contract. The certified union is in the process of negotiating a 3-year contract with the School District. With the rising cost of fuel, heating, and other supplies, the budget becomes very strained.

We do have teachers who may consider retirement. However, those retiring and using our retirement incentive, will not affect our budget until two years after the retirement.

At this time, we feel financially sound. However, help with funding from the State and Federal Governments is essential.

SCHOOL DISTRICT NUMBER 24  
STATEMENT OF NET POSITION  
June 30, 2014

<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,630,772
Receivables:	
Taxes	230,638
Governments	59,217
Prepays	29,112
Restricted assets:	
Cash and cash equivalents	2,862,954
Capital assets not being depreciation-land	140,206
Capital assets, net of accumulated depreciation	<u>17,258,777</u>
Total assets	<u>23,211,676</u>
 <b>LIABILITIES</b>	
Accounts payable-vendors	75,700
Unearned revenues	1,147
Noncurrent liabilities:	
Due within one year:	
Compensated absences	22,138
Due in more than one year:	
Bonds, notes and contracts	9,750,000
Compensated absences	<u>199,246</u>
Total liabilities	<u>10,048,231</u>
 <b>NET POSITION</b>	
Net investment in capital assets	10,511,937
Restricted for:	
Instruction	391,589
Support services:	
General administration	15,901
Operation and maintenance	1,180
Student transportation	717,688
Food services	33
Capital projects	176
Debt service	269,666
Unrestricted	<u>1,255,275</u>
Total net position	<u><u>\$ 13,163,445</u></u>

SCHOOL DISTRICT NUMBER 24  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction	\$ 4,829,681	\$ 11,743	\$ 1,180,331	\$ (3,637,607)
Support services:				
Students	318,315	-	121,855	(196,460)
Instructional staff	191,284	-	39,833	(151,451)
General administration	131,975	-	-	(131,975)
School administration	444,228	-	3,412	(440,816)
Business services	243,916	-	-	(243,916)
Operation and maintenance	1,085,423	4,300	-	(1,081,123)
Student transportation	668,311	-	285,807	(382,504)
Food services	522,555	202,041	235,077	(85,437)
Extracurricular	256,176	-	-	(256,176)
Interest	127,350	-	-	(127,350)
<b>Total</b>	<b>\$ 8,819,214</b>	<b>\$ 218,084</b>	<b>\$ 1,866,315</b>	<b>(6,734,815)</b>
General revenues:				
Property taxes				2,592,703
Intergovernmental:				
State aid				3,368,205
State other				264,013
County				790,710
Interest				34,893
Miscellaneous				45,868
Gain on the disposal of capital assets				2,000
				<u>7,098,392</u>
				Change in net position 363,577
				<u>Net position - beginning 12,799,868</u>
				<u><u>Net position - ending \$ 13,163,445</u></u>

SCHOOL DISTRICT NUMBER 24  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Miscellaneous Programs	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 745,210	\$ 112,316	\$ 213,595	\$ 1,559,651	\$ 2,630,772
Receivables:					
Property taxes	114,575	-	56,071	59,992	230,638
Governments	-	42,750	-	16,467	59,217
Prepaid items	29,112	-	-	-	29,112
Restricted assets:					
Cash and cash equivalents	-	-	2,862,954	-	2,862,954
<b>Total assets</b>	<b>\$ 888,897</b>	<b>\$ 155,066</b>	<b>\$ 3,132,620</b>	<b>\$ 1,636,110</b>	<b>\$ 5,812,693</b>
<b>LIABILITIES</b>					
Accounts payable-vendors	\$ -	\$ 75,700	\$ -	\$ -	\$ 75,700
Unearned revenue	-	1,147	-	-	1,147
<b>Total liabilities</b>	<b>-</b>	<b>76,847</b>	<b>-</b>	<b>-</b>	<b>76,847</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	114,575	-	56,071	59,992	230,638
<b>Total deferred inflows of resources</b>	<b>114,575</b>	<b>-</b>	<b>56,071</b>	<b>59,992</b>	<b>230,638</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid	29,112	-	-	-	29,112
Restricted:					
Instruction	-	-	-	379,360	379,360
Support services:					
General administration	-	-	-	15,901	15,901
Operation and maintenance	-	-	-	1,180	1,180
Student transportation	-	-	-	669,925	669,925
Food services	-	-	-	33	33
Capital projects	-	-	-	176	176
Debt service	-	-	3,076,549	-	3,076,549
Committed:					
Instruction	-	78,219	-	49,976	128,195
Capital projects	-	-	-	459,567	459,567
Unassigned	745,210	-	-	-	745,210
<b>Total fund balances</b>	<b>774,322</b>	<b>78,219</b>	<b>3,076,549</b>	<b>1,576,118</b>	<b>5,505,208</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 888,897</b>	<b>\$ 155,066</b>	<b>\$ 3,132,620</b>	<b>\$ 1,636,110</b>	<b>\$ 5,812,693</b>

SCHOOL DISTRICT NUMBER 24  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2014

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

Total fund balances, governmental funds	\$ 5,505,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,398,983
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	230,638
Long-term liabilities, including compensated absences and bonds payable, are not due and payable in the current period and, therefore, are not included in the funds.	<u>(9,971,384)</u>
Net position of governmental activities	<u>\$ 13,163,445</u>

SCHOOL DISTRICT NUMBER 24  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General	Miscellaneous Programs	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 1,419,034	\$ -	\$ 559,537	\$ 892,168	\$ 2,870,739
Intergovernmental:					
County	-	-	-	928,451	928,451
State aid	3,230,404	-	137,801	-	3,368,205
State other	741,588	135,291	-	207,051	1,083,930
Federal	-	654,327	-	232,877	887,204
Charges for services	-	-	-	218,084	218,084
Interest	3,264	868	25,319	5,442	34,893
Miscellaneous	-	67,321	-	-	67,321
<b>Total revenues</b>	<b>5,394,290</b>	<b>857,807</b>	<b>722,657</b>	<b>2,484,073</b>	<b>9,458,827</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	3,135,573	684,401	-	783,280	4,603,254
Support services:					
Students	176,127	124,608	-	17,476	318,211
Instructional staff	132,765	39,833	-	17,146	189,744
General administration	86,598	-	-	42,002	128,600
School administration	354,681	3,412	-	80,841	438,934
Business services	202,715	-	-	39,799	242,514
Operation and maintenance	930,035	4,976	-	80,172	1,015,183
Student transportation	-	17,345	-	503,650	520,995
Food services	52,281	-	-	456,189	508,470
Extracurricular	211,091	-	-	25,002	236,093
Capital outlay	-	25,200	-	310,499	335,699
Debt service:					
Interest and other charges	-	-	127,350	-	127,350
<b>Total expenditures</b>	<b>5,281,866</b>	<b>899,775</b>	<b>127,350</b>	<b>2,356,056</b>	<b>8,665,047</b>
Net change in fund balances	112,424	(41,968)	595,307	128,017	793,780
Fund balances - beginning	661,898	120,187	2,481,242	1,448,101	4,711,428
Fund balances - ending	<b>\$ 774,322</b>	<b>\$ 78,219</b>	<b>\$ 3,076,549</b>	<b>\$ 1,576,118</b>	<b>\$ 5,505,208</b>

SCHOOL DISTRICT NUMBER 24  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 793,780
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p>This is the amount by which depreciation (\$492,975) exceeded capital outlay (\$335,699) in the current period.</p>	
	(157,276)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net position.</p>	
	2,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
	(278,036)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Compensated absences	<u>3,109</u>
Change in net position of governmental activities	<u>\$ 363,577</u>

SCHOOL DISTRICT NUMBER 24  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	Private Purpose Trust Fund- Extracurricular	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 211,460	\$ 1,898
Total assets	211,460	\$ 1,898
<b>LIABILITIES</b>		
Accounts payable	-	\$ 1,898
Total liabilities	-	\$ 1,898
<b>NET POSITION</b>		
Net position held in trust	\$ 211,460	

SCHOOL DISTRICT NUMBER 24  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUND  
 For the Year Ended June 30, 2014

	<u>Private Purpose Trust Fund- Extracurricular</u>
<b>ADDITIONS</b>	
Student extracurricular activities	<u>\$ 488,025</u>
Total additions	<u>488,025</u>
<b>DEDUCTIONS</b>	
Student extracurricular activities	<u>467,358</u>
Total deductions	<u>467,358</u>
Change in net position	20,667
Net position - beginning	<u>190,793</u>
Net position - ending	<u><u>\$ 211,460</u></u>

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

The government was established under Montana law to provide educational services below the college and university level to residents of the district. The government consists of a kindergarten through twelfth grade district, which is managed by a central Board of Trustees, elected in a district wide election and by a central administration appointed by and responsible to the Board.

The County provides substantial services to the government; tax billing, cash collections, debt payments and warrant redemption. The County also maintains the government's cash and invests available funds at the direction of the government. The County Commissioners have a legal obligation to set levy amounts and to approve the budget adopted by the government. However, despite the degree of services provided, the government does not qualify as a component unit of the County.

These financial statements present, as a single reporting entity, all activities of the primary government. A primary government is defined as having a separately elected governing body, being legally separate, and fiscally independent.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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 government.

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

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue fund is reported as major:

The miscellaneous programs fund accounts for local, state, and federal grants and reimbursements.

The debt service fund accounts for the accumulation of resources for and payment of principal, interest, and related costs of the government's long-term debt.

Additionally, the government reports the following fund types:

The government has a private-purpose trust fund, the student extracurricular fund, which accounts for the extracurricular student activities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

Cash and investments, except amounts in the extracurricular and flexible benefits funds, are held by the County Treasurer. The County Treasurer invests the District's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks, and similar items) are reported in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings/Improvements	7-80
Machinery and equipment	5-15

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Classified employees (non-teaching) earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under state statute to a maximum accumulation of two times the amount earned annually. Vacation leave is absorbed by time off from work, or, with certain limitations, may be payable to the employee upon termination.

Sick leave is accumulated for classified employees at the rate of 12 days per year with no limit on the carry over amount. Sick leave for certified personnel (teachers) is awarded at 10 days per year up to a cumulative maximum of 80 days. Upon retirement or resignation, certified and classified employees are eligible for sick leave compensation at one fourth of the accumulated amount. In order to qualify for the sick leave payout, certified employees need to have at least five years of service with the district.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 government 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 revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and **proprietary fund** financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk to assign fund balance. Assigned fund balance in the general fund represents year-end encumbrances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. DETAILED NOTES ON ALL FUNDS

Equity in Pooled Cash and Investments

As discussed in Note 1, the government's cash and investments, except amounts in the extracurricular and flexible benefits funds, are held by the County Treasurer. The government directs the investment of money pursuant to the provisions of state statute. The extracurricular and flexible benefits funds bank balances were entirely insured by the FDIC.

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. The County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all investments that are not fully covered by Federal Deposit Insurance. Montana code allows the County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%. Risk in the event of loss is unclear in state law, but may be the liability of the County government. Custodial credit risk, interest rate risk and concentration of credit risk classifications of the government's deposits and pooled investments can be obtained from the Yellowstone County Treasurer.

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 140,206	\$ -	\$ -	\$ 140,206
Total capital assets, not being depreciated	<u>140,206</u>	<u>-</u>	<u>-</u>	<u>140,206</u>
Capital assets, being depreciated				
Buildings/improvements	17,758,706	187,634	-	17,946,340
Machinery and equipment	2,286,047	150,065	(61,636)	2,374,476
Total capital assets, being depreciated	<u>20,044,753</u>	<u>337,699</u>	<u>(61,636)</u>	<u>20,320,816</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,454,176)	(309,070)	-	(1,763,246)
Machinery and equipment	(1,176,524)	(183,905)	61,636	(1,298,793)
Total accumulated depreciation	<u>(2,630,700)</u>	<u>(492,975)</u>	<u>61,636</u>	<u>(3,062,039)</u>
Total capital assets, being depreciated, net	<u>17,414,053</u>	<u>(155,276)</u>	<u>-</u>	<u>17,258,777</u>
Capital assets, net	<u>\$ 17,554,259</u>	<u>\$ (155,276)</u>	<u>\$ -</u>	<u>\$ 17,398,983</u>

Depreciation expense was charged as follows:

Instruction	\$ 232,394
Support services-instructional staff	1,608
Support services-general administration	2,137
Support services-administration	1,629
Support services-business	548
Operation and maintenance	77,944
Student transportation	146,438
Food services	10,194
Extracurricular	20,083
	<u>\$ 492,975</u>

Long-Term Debt

The government issued \$9,750,000 in Qualified School Construction (tax credit bonds) general obligation bonds during 2010 to provide for the construction of a high school and junior high. The bonds mature June 2026, provide a tax credit at a rate of 5.95% and bear an interest rate of 1.3%. Interest is payable semi-annually. Annually, \$573,529 is required to be set aside in a sinking fund. The sinking fund deposits, along with earnings on those deposits, will be used to retire the bonds. The government is in compliance with the sinking fund requirements.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 126,750	\$ 126,750
2016	-	126,750	126,750
2017	-	126,750	126,750
2018	-	126,750	126,750
2019	-	126,750	126,750
2020-2024	-	633,750	633,750
2025-2026	9,750,000	253,500	10,003,500
	<u>\$ 9,750,000</u>	<u>\$ 1,521,000</u>	<u>\$ 11,271,000</u>

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
General obligation debt	\$ 9,750,000	\$ -	\$ -	\$ 9,750,000	\$ -
Compensated absences	224,493	-	(3,109)	221,384	22,138
	<u>\$ 9,974,493</u>	<u>\$ -</u>	<u>\$ (3,109)</u>	<u>\$ 9,971,384</u>	<u>\$ 22,138</u>

Compensated absences are generally liquidated by the General fund. General obligation debt is paid for in the Debt Service fund.

NOTE 3. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in the Montana Schools Group's Workers' Compensation Risk Retention Program, a state-wide public risk pool currently operating as a common risk management and insurance program for the member school districts. The government pays quarterly premiums for its employee injury insurance coverage. 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. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have remained relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Interlocal Cooperative

The government participates with other school districts in the East Yellowstone Special Services Cooperative. The Cooperative provides special education services to its member schools.

Commitments and Contingencies

At year-end, the government had a commitment to purchase two buses for \$220,000.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Public Employees Retirement System (PERS) covers non-teaching employees. The plans are established under State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

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

	Employer	Employee	Total
TRS:			
Tier 1 member	8.470%	8.150%	16.620%
Tier 2 member	8.470%	8.150%	16.620%
PERS	7.800%	7.900%	15.700%

SCHOOL DISTRICT NUMBER 24  
NOTES TO BASIC FINANCIAL STATEMENTS

TRS:

A "tier 1 member" is a person who became a member before July 1, 2013 and who has not withdrawn his/her account balance. A "tier 2 member" is a person who became a member on or after July 1, 2013 or who, after withdrawing his/her account balance, became a member again on or after July 1, 2013. Effective July 1, 2013, the Tier 1 member supplemental contribution may be decreased, and a Tier 2 member may be required to contribute a supplemental contribution, under circumstances described in Section 19-20-608, MCA. Also, the employer supplemental contribution may be decreased under circumstances described in Section 19-20-609, MCA.

PERS:

On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .37% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana on behalf TRS contribution has been recorded in the financial statements.

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

	2014	2013	2012
TRS	\$ 597,447	\$ 519,348	\$ 484,154
PERS	151,749	126,356	116,945
	\$ 749,196	\$ 645,704	\$ 601,099

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
<b>REVENUES</b>					
Property taxes	\$ 1,240,963	\$ 1,240,963	\$ 1,419,034	\$ -	\$ 1,419,034
Intergovernmental:					
State aid	3,207,418	3,230,404	3,230,404	-	3,230,404
State other	654,202	654,202	654,202	87,386	741,588
Interest	1,867	1,867	3,264	-	3,264
<b>Total revenues</b>	<b>5,104,450</b>	<b>5,127,436</b>	<b>5,306,904</b>	<b>87,386</b>	<b>5,394,290</b>
<b>EXPENDITURES</b>					
Total expenditures	5,211,307	5,256,712	5,194,480	87,386	5,281,866
<b>Net change in fund balances</b>	<b>\$ (106,857)</b>	<b>\$ (129,276)</b>	<b>112,424</b>	<b>-</b>	<b>112,424</b>
Fund balances - beginning			661,898	-	661,898
Fund balances - ending			<b>\$ 774,322</b>	<b>\$ -</b>	<b>\$ 774,322</b>

SCHOOL DISTRICT NUMBER 24  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

State law requires budgets be prepared for certain funds - generally those supported by property tax revenues. Budgets are prepared on the modified accrual basis. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law.

The general fund budget is 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. The Board of Trustees approves the original budget not later than August 25th. The general fund budget was amended and increased by \$45,405 due to an unanticipated enrollment increase. The amendment was funded additional state aid (\$22,986) and fund balance (\$22,419).

State law permits the inclusion of obligations (encumbrances) for construction in progress and the purchase of personal property as expenditures for budget purposes. The budget to GAAP differences consist of the on-behalf TRS payment.

A budget is not adopted for the miscellaneous programs fund (a major special revenue fund) because it is not legally required and, therefore, presentation of budgetary comparison information is not required.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Balance July, 1 2013	Cash Receipts	Expenditures	Balance June 30, 2014
<b>U.S. Department of Education:</b>							
Passed-through State of Montana Office of Public Instruction:							
Title I Grants to Local Educational Agencies	84.010	5609833114	\$ 201,692	\$ -	\$ 179,826	\$ 184,134	\$ 4,308
Title I Grants to Local Educational Agencies	84.010	5609833113	205,685	170	14,604	14,434	-
<i>Subtotal</i>				170	194,430	198,568	4,308
Migrant Education-State Grant Program	84.011	5609833614	207,000	-	83,577	122,019	38,442
Migrant Education-State Grant Program	84.011	5609833613	300,000	54,677	112,997	58,320	-
<i>Subtotal</i>				54,677	196,574	180,339	38,442
Vocational Education-Basic Grants to States	84.048	5609838114	8,875	-	8,875	8,875	-
Vocational Education-Basic Grants to States	84.048	5609838113	7,792	3,922	3,922	-	-
<i>Subtotal</i>				3,922	12,797	8,875	-
Migrant Education-Coordination Program	84.144	5609834314	60,000	-	60,000	58,998	(1,002)
<i>Subtotal</i>				-	60,000	58,998	(1,002)
Improving Teacher Quality-State Grants	84.367	5609831414	35,701	-	34,085	34,085	-
<i>Subtotal</i>				-	34,085	34,085	-
21st Century Community Learning Centers	84.287	5609831714	75,600	-	75,600	75,600	-
21st Century Community Learning Centers	84.287	5609831713	75,600	6,228	6,228	-	-
<i>Subtotal</i>				6,228	81,828	75,600	-
Passed-through East Yellowstone County Special Services Cooperative:							
Special Education Cluster:							
Special Education-Grants to States	84.027	56-9694-77-14-ALLO	86,257	-	86,257	86,257	-
<i>Subtotal</i>				-	86,257	86,257	-
Special Education-Preschool Grants	84.173	56-9694-79-14-ALLO	10,748	-	10,748	10,748	-
<i>Subtotal</i>				-	10,748	10,748	-
<i>Special Education Cluster Subtotal</i>				-	97,005	97,005	-
Total U.S. Department of Education				64,997	676,719	653,470	41,748
<b>U.S. Department of Agriculture:</b>							
Passed-through State of Montana Office of Public Instruction:							
Child Nutrition Cluster:							
National School Lunch Program:							
Non-Cash Assistance (Commodities)	10.555	N/A	24,475	-	24,475	24,475	-
Cash Assistance	10.555	N/A	166,271	-	166,271	166,271	-
<i>Subtotal</i>				-	190,746	190,746	-
Summer Food Service Program for Children	10.559	56-0983	19,461	10,562	18,561	19,461	11,462
<i>Subtotal</i>				10,562	18,561	19,461	11,462
School Breakfast Program	10.553	N/A	48,450	-	47,144	47,144	-
<i>Subtotal</i>				-	47,144	47,144	-
<i>School Nutrition Cluster Subtotal</i>				10,562	256,451	257,351	11,462
Team Nutrition Grants	10.574	5609832011	1,000	-	1,000	856	(144)
<i>Subtotal</i>				-	1,000	856	(144)
Total U.S. Department of Agriculture				10,562	257,451	258,207	11,318
Total Federal Awards				\$ 75,559	\$ 934,170	\$ 911,677	\$ 53,066

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Notes to Schedule of Expenditures of Federal Awards

---

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the government and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE B - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Federal award revenues are reported in the basic financial statements as federal sources in the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds. The following is a reconciliation of cash receipts on the Schedule of Expenditures of Federal Awards to federal sources reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.

Cash receipts	\$ 934,170
Revenue accrual adjustments	(22,493)
Commodities	<u>(24,473)</u>
Federal sources	<u>\$ 887,204</u>

SCHOOL DISTRICT NUMBER 24  
EXTRACURRICULAR FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

	Balance July 1, 2013	Revenues	Expenditures	Transfers in/(out)	Balance June 30, 2014
Annual	\$ 4,534	\$ 6,537	\$ 7,475	\$ -	\$ 3,596
Athletics	12,398	17,600	20,314	(7,836)	1,848
Concessions	19,202	122,668	95,566	(19,461)	26,843
Girls Basketball	-	7,656	4,789	(2,867)	-
Football	-	17,320	7,899	(9,421)	-
Cross Country	-	-	2,372	2,372	-
Wrestling	-	4,777	9,364	4,587	-
Boys Basketball	-	14,304	11,734	(2,570)	-
Volleyball	-	7,130	10,562	3,432	-
Track	-	255	4,048	3,793	-
Softball	-	150	8,130	7,980	-
B.P.A.	723	1,892	1,726	99	988
Band	16,558	9,945	13,311	(2,481)	10,711
Choir	515	2,768	4,205	1,200	278
Class of 2013	896	-	-	-	896
Class of 2014	3,632	23	3,648	-	7
Class of 2015	6,128	2,334	4,022	-	4,440
Class of 2016	4,556	-	-	-	4,556
Class of 2017	2,456	-	94	-	2,362
Class of 2018	909	123	365	1,052	1,719
Class of 2019	-	139	136	1,052	1,055
Close Up	3,021	35,601	37,824	1,731	2,529
Commons Improvement	5,886	-	1,945	-	3,941
Elementary	12,284	7,785	4,147	-	15,922
Elementary Library	1,958	578	-	-	2,536
F.F.A.	2,648	41,749	46,298	4,120	2,219
F.C.C.L.A.	1,335	2,916	4,135	1,515	1,631
HP Players	587	729	483	-	833
HS Administration	1,060	1,811	2,025	73	919
HS Cheerleaders	3,689	10,272	14,119	3,806	3,648
HS Student Council	235	2,038	1,170	(149)	954
JH Administration	1,118	3,812	3,758	(129)	1,043
JH Student Council	496	334	43	-	787
Letter Club	1,108	578	285	-	1,401
7-12 Library	2,538	672	1,441	-	1,769
Paver Bricks	2,114	60	778	-	1,396
National Honor Society	1,844	381	417	-	1,808
Scholarship Account	34,275	29,300	30,080	-	33,495
Spanish Club	1,588	2,078	922	6,249	8,993
Speech and Drama	1,305	1,720	1,474	-	1,551
Tournament Fund	5,697	77,467	52,174	(450)	30,540
Vocational Experience	504	696	616	42	626
Weight Room	10,231	9,037	1,347	-	17,921
Athletics Fundraising	22,765	42,790	52,117	2,261	15,699
	<u>\$ 190,793</u>	<u>\$ 488,025</u>	<u>\$ 467,358</u>	<u>\$ -</u>	<u>\$ 211,460</u>

SCHOOL DISTRICT NUMBER 24  
 SCHEDULE OF SCHOOL DISTRICT ENROLLMENT  
 For the Year Ended June 30, 2014

	Reported Enrollment	Enrollment per Records	Difference
<b>FALL ENROLLMENT - October 2013</b>			
<u>Elementary District</u>			
Kindergarten	53	53	-
Grades one through six	350	350	-
Grades seven and eight	130	130	-
	<u>533</u>	<u>533</u>	<u>-</u>
<u>High School District</u>			
Grades nine through twelve	<u>258</u>	<u>258</u>	<u>-</u>
<b>WINTER ENROLLMENT - December 2013</b>			
<u>Elementary District</u>			
Kindergarten	52	52	-
Grades one through six	344	344	-
Grades seven and eight	128	128	-
	<u>524</u>	<u>524</u>	<u>-</u>
<u>High School District</u>			
Grades nine through twelve	<u>248</u>	<u>248</u>	<u>-</u>
<b>SPRING ENROLLMENT - February 2014</b>			
<u>Elementary District</u>			
Kindergarten	52	52	-
Grades one through six	340	340	-
Grades seven and eight	126	126	-
	<u>518</u>	<u>518</u>	<u>-</u>
<u>High School District</u>			
Grades nine through twelve	<u>249</u>	<u>249</u>	<u>-</u>

SCHOOL DISTRICT NUMBER 24  
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL  
AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2013-5 and FINDING 2013-6, Title I Grants to Local Educational Agencies and Migrant Education–State Grant Program

FINANCIAL STATEMENT PREPARATION

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements.

Recommendation: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

Current Status: Continued

SEGREGATION OF DUTIES

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Current Status: Continued

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

## 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

To the Board of Trustees  
School District Number 24  
Worden, 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 School District Number 24, Worden, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated October 10, 2014. The report on governmental activities was qualified because the service credit and termination pay benefit liability and related expense (GASB No. 27) and the other post-employment benefit (OPEB) liability and related expense (GASB No. 45) were not recorded.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-1 through 2014-4)

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government'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*.

### The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government'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

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 (CONTINUED)

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.

*O'neal & Associates, PC*

Billings, Montana  
October 10, 2014

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees  
School District Number 24  
Worden, Montana

### Report on Compliance for Each Major Federal Program

We have audited School District Number 24, Worden, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2014. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

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

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

### Opinion on Each Major Federal Program

In our opinion, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### Report on Internal Control over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-5 and 2014-6 to be material weaknesses.

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*O'neal & Associates, PC*

Billings, Montana  
October 10, 2014

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS:*

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified?   x   yes        no
- Significant deficiency(ies) identified?        yes          x   none reported
- Noncompliance material to the financial statements noted?        yes          x   no

*FEDERAL AWARDS:*

Internal control over major programs:

- Material weaknesses identified?   x   yes        no
- Significant deficiency(ies) identified?        yes          x   none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   x   yes        no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education-State Grant Program
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee?        yes          x   no

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-1. FINANCIAL STATEMENT PREPARATION

**Criteria:** We were engaged to assist in the preparation of the government's financial statements and schedule of expenditures federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

**Condition:** The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

**Cause:** The government is a small organization with limited resources.

**Effect:** It is common within the governmental sector to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

**Recommendation:** The government should continue to read its draft financial statements and SEFA and ensure the quality of the document and the preparer.

**Response:** At this time the District cannot financially afford to employ additional personnel who are qualified to apply generally accepted accounting principles in relation to preparation of the financial statements or to prevent, detect and correct a material

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

financial statement misstatement. We will continue to have our yearly audit performed.

2014-2. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Response: The District segregates duties as much as we can. We have two personnel who participate in the ordering, receiving, invoicing and paying of all purchases. Two personnel perform the payroll duties. A District our size is only able to segregate duties so far. We continue to implement effective controls as needed.

2014-3. SERVICE CREDIT AND TERMINATION PAY BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the service credit and termination pay benefit liability and related expense be recorded in the financial statements.

Condition: The government did not record the service credit and termination pay benefit liability and related expense (GASB Statement No. 27) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the service credit and termination pay benefit liability and related expense as of and for the year ended June 30, 2014.

Effect: The governmental activities liabilities are understated, net position is overstated and expenses would change.

Recommendation: The government should engage an actuarial firm to determine the service credit and termination pay benefit liability and related expense.

Response: The District has looked into hiring an actuarial firm to determine the service credit and termination benefit liability and related expense. At this point, the cost of this service is very high. We are looking for a more reasonably priced service.

2014-4. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the other post-employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2014.

Effect: The governmental activities liabilities are understated, net position is overstated and expenses would change.

Recommendation: The government should engage an actuarial firm to determine the OPEB liability and related expense.

Response: The District has looked into hiring an actuarial firm to determine the OPEB liability and related expense. We have three (3) retired teachers on the District's health insurance policy at this time. At this point, the cost of this service is very high. We are looking for a more reasonably priced service.

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-6. ALL MAJOR PROGRAMS AS DESCRIBED IN SECTION I-SUMMARY OF AUDITOR RESULTS

Finding 2014-01 applies to these federal award programs.

2013-6. ALL MAJOR PROGRAMS AS DESCRIBED IN SECTION I-SUMMARY OF AUDITOR RESULTS

Finding 2014-02 applies to these federal award programs.

SCHOOL DISTRICT NUMBER 24  
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. Financial Statement Preparation	Continued Disclosure
2013-2. Segregation of Duties	Continued Disclosure
2013-3. Service Credit and Termination Benefit Liability Not Recorded	Not Implemented
2013-4. Other Post Employment Liability Not Recorded	Not Implemented