

**BIG SANDY SCHOOL DISTRICT NO. 11 & 2**

**CHOUTEAU COUNTY  
BIG SANDY, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

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

Big Sandy School District No. 11 & 2  
Chouteau County  
Big Sandy, MT 59520

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Big Sandy School District No. 11 & 2  
Chouteau County  
Big Sandy, MT 59520

ORGANIZATION

BOARD OF TRUSTEES

Brandon Gasvoda	Chair
Diana LaBuda	Vice Chair
Darin Genereux	Trustee
Kurt Strutz	Trustee
Jim Dumas	Trustee
Dan Leader	Trustee

OFFICIALS

Brad Moore	Superintendent
Maryetta Engle	District Clerk
Rick Cook	County Superintendent
Steve Gannon	County Attorney

BIG SANDY SCHOOL DISTRICT 11 AND 2  
CHOUTEAU COUNTY  
BIG SANDY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR JULY 1, 2013 –JUNE 30, 2014

The Superintendent and the Business Manager/Clerk of Big Sandy School Districts have provided this Management's Discussion and Analysis to give the reader an overview of the financial position and activities of the school district for the fiscal year ending June 30, 2014.

**Financial Highlights**

The District strives to maintain the budgets at about the same level from year to year. Enrollment continues to grow in the elementary district while the high school is stable to slightly declining. The implementation of Senate Bill 175 & Senate Bill 348 provides flexibility to the district and increased direct state aide in the upcoming years.

**Using their Financial Report**

Statement No. 34 of the Governmental Accounting Standards Board (GASBE) requires the general format of this report. Component and purpose of the report are explained in the following pages.

**Reporting the School as a Whole**

By being able to obtain and retain highly qualified teachers and by being able to provide additional help to students utilizing quality aides continues to be a primary goal of the districts. The District is in its second year of utilizing different assessment to measure student achievement and curriculum alignment. Prior to graduation many of our students take and score well on the ACT and go on to attend college. Through surveys conducted of post graduated students by the counseling department, studies indicate they have been well prepared for the challenge of college and/or other career ambitions. Every year the Big Sandy community supports the District by passing levies to help fund curriculum and activities essential to a quality education.

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

The statement of Net Position (page 9) shows the "assets" (what is owned), and "liabilities", (what is owed) and the "net position", (the resources that would remain if obligations of the school district were settled.) The statement categorizes assets to show that some assets are restricted for certain purposes, some assets are fixed, and capital assets and portion of the liabilities—which are "non-current".

The statements of Governmental Activities and the change in Net Position (page 10) show the activities of the district by program, i.e., regular programs (instructional), operations and maintenance, transportation, food service, student activities, etc. This statement also shows the revenue available to support these programs and activities, etc. This statement also shows the revenues available to support these programs and activities. Property taxes as well as state and federal revenue support most of the functions and activities.

### **Reporting the District's most significant Funds**

The Balance Sheet of Governmental Funds provides details about the funds used by the school district; for example, the general fund, which supports instruction and most of the major activities of the district, the transportation and bus depreciation funds, the retirement fund, and the federal program funds. State law and General Accepted Principals (GAP) establish the fund structure of school districts. State law generally requires school districts to segregate school district funds into separate fund accounts according to the specific purpose for which the fund was generated. The fund statements report balances and activities of the "major" funds separately and combine the balances and activities of the smaller funds under a single category. The distinction is based on the legal budget requirements. Activity funds are not reported as major funds but are combined and presented in a separate set of financial statements.

The general fund's original and final budgets were identical for the year ending June 30, 2014

### **The District as a whole**

One important question asked about the district's finances is "Is the District better or worse as a result of this year's activities?" The information in the government-wide financial statements answers this question. These statements include all assets and liabilities using the accrual basis of accounting used by most private-sector companies. Generally speaking the districts assets have stayed about the same. So far the district has been able to continue the wide spectrum of activities for the students. The student enrollment seems to have stabilized. The instructional staff is highly qualified and improvements in opportunities for staff development are continuing.

We belong to the Bear Paw Special Education Cooperative, which provides a full range of special education services for all identified students. The District is also a member of the Golden Triangle Curriculum Consortium, which provides curricular objectives that are aligned to the Montana Standards as well as providing our staff opportunities for professional development.

### **What Does the School Do?**

The school provides a complete and comprehensive K-12 education and is continuously striving to make progress in meeting the requirement of NCLB. The school provides its students with an education that enables them to demonstrate proficiency with respect of the Montana Common Core Standards and the Golden Triangle Objectives.

In addition, the school provides student transportation morning, noon and evening as well as a broad range of student activities. The district provides extensive opportunities in technology with the latest and most up to date equipment. Title I assistance to help K-12 students experiencing difficulties is provided. Special Education and counseling services are also provided. The district also provides K-12 breakfast and lunch services.

The resources that enable the school to provide these services comes from Direct State Aid, local tax levies, state and federal grants, grants from Bear Paw Special Education Cooperative, revenue from Rural Education Funds, and food service subsidies from the federal government.

Big Sandy School District No. 11 & 2  
 Chouteau County  
 Big Sandy, MT 59520  
 as of June 30, 2014

**Management Discussion and Analysis Comparison Schedules**

NET POSITION		Governmental Activities			
	2014	2013	CHANGE	% CHANGE	
Current Assets	\$ 841,954	\$ 790,276	\$ 51,678	6.54%	
Capital Assets, net	<u>422,558</u>	<u>464,373</u>	<u>(41,815)</u>	<u>-9.00%</u>	
Total Assets	1,264,512	1,254,649	9,863	0.79%	
Current Liabilities	12,938	31,708	(18,770)	-59.20%	
Long Term Liabilities	<u>111,208</u>	<u>118,411</u>	<u>(7,203)</u>	<u>-6.08%</u>	
Total Liabilities	124,146	150,119	(25,973)	-17.30%	
Net Position:					
Net Investment in Capital Assets	422,558	464,373	(41,815)	-9.00%	
Restricted	575,152	579,699	(4,547)	-0.78%	
Unrestricted	<u>142,656</u>	<u>60,457</u>	<u>82,199</u>	<u>135.96%</u>	
Total Net Position	1,140,366	1,104,529	35,837	3.24%	
CHANGES IN NET POSITION		Governmental Activities			
	2014	2013	CHANGE	% CHANGE	
Revenues					
Program Revenues:					
Charges for Services	31,316	32,840	(1,524)	-4.64%	
Operating Grants	464,859	356,185	108,674	30.51%	
General Revenues:					
District Levies	1,033,344	852,925	180,419	21.15%	
State Equalization	638,573	611,800	26,773	4.38%	
Other State Revenues	252,934	295,881	(42,947)	-14.51%	
County	184,659	168,910	15,749	9.32%	
Interest	1,140	1,802	(662)	-36.72%	
Other	<u>56,122</u>	<u>31</u>	<u>56,091</u>	<u>180938.71%</u>	
Total Revenues	2,662,947	2,320,374	342,573	14.76%	
Program Expenses					
Instructional Services	1,358,887	1,305,799	53,088	4.07%	
Support Services	33,737	25,333	8,404	33.17%	
Educational Media Services	4,551	4,071	480	11.79%	
General Administrative Services	297,455	236,259	61,196	25.90%	
Operation & Maintenance Services	299,434	238,957	60,477	25.31%	
Transportation Services	338,402	349,530	(11,128)	-3.18%	
School Food Services	197,779	160,515	37,264	23.22%	
Extracurricular	96,865	116,587	(19,722)	-16.92%	
OPEB	-	8,937	(8,937)	-100.00%	
Interest	-	146	(146)	-100.00%	
Loss on Asset	-	4,060	(4,060)	-100.00%	
Total Expenses	<u>2,627,110</u>	<u>2,450,194</u>	<u>176,916</u>	<u>7.22%</u>	
Change in Net Position	35,837	(129,820)	165,657		

STROM & ASSOCIATES, PC  
Certified Public Accountants  
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Billings, Montana 59103

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Big Sandy School District No. 11 & 2  
Chouteau County  
Big Sandy, MT 59520

**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 Big Sandy School District No. 11 & 2 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Sandy School District No. 11 & 2 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 29) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Big Sandy School District No. 11 & 2's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 30) and schedule of reported enrollment (page 31) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015 on our consideration of Big Sandy School District No. 11 & 2 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 Big Sandy School District No. 11 & 2 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
January 6, 2015

Big Sandy School District No. 11 & 2  
 Chouteau County  
 Big Sandy, MT 59520

STATEMENT OF NET POSITION  
 as of June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 707,334
Taxes Receivable	72,777
Due From Other Governments	<u>61,843</u>
Total Current Assets	<u>841,954</u>
Noncurrent Assets:	
Capital Assets:	
Land	133,714
Net Depreciable Assets	<u>288,844</u>
Total noncurrent assets	<u>422,558</u>
Total Assets	<u>\$ 1,264,512</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Current Portions Compensated Absences	<u>\$ 12,938</u>
Total Current Liabilities	<u>12,938</u>
Noncurrent Liabilities:	
Long-Term Obligations	54,777
Compensated Absences	<u>56,431</u>
Total noncurrent Liabilities	<u>111,208</u>
Total Liabilities	<u>124,146</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	422,558
Restricted	575,152
Unrestricted (deficit)	<u>142,656</u>
Total Net Position	<u>1,140,366</u>
Total Liabilities and Net Position:	<u>\$ 1,264,512</u>

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

STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
<b>GOVERNMENT OPERATIONS</b>				
Instructional Services	\$ 1,358,887	\$ 840	\$ 242,116	\$ (1,115,931)
Support Services	33,737	-	-	(33,737)
Educational Media Services	4,551	-	-	(4,551)
General Administrative Services	297,455	-	27,015	(270,440)
Operation & Maintenance Services	299,434	-	-	(299,434)
Transportation Services	338,402	-	132,819	(205,583)
School Food Services	197,779	30,476	62,909	(104,394)
Extracurricular	96,865	-	-	(96,865)
Total Governmental Activities	<u>2,627,110</u>	<u>31,316</u>	<u>464,859</u>	<u>(2,130,935)</u>
<b>GENERAL REVENUES</b>				
District Levies				1,033,344
State Equalization				638,573
Other State Revenues				252,934
County				184,659
Interest				1,140
Other				56,122
Total General Revenues				<u>2,166,772</u>
Change in Net Position				35,837
Net Position				
Beginning of the Year				<u>1,104,528</u>
End of the Year				<u>\$ 1,140,366</u>

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 as of June 30, 2014

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation (Elem.)	Bus Depreciation (H.S.)		
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	163,496	175,807	230,297	137,734	707,334
Taxes Receivable	49,725	1,204	1,496	20,352	72,777
Due From Other Governments	53,581	-	-	8,262	61,843
<b>Total Assets</b>	<b>\$ 266,802</b>	<b>\$ 177,011</b>	<b>\$ 231,793</b>	<b>\$ 166,348</b>	<b>\$ 841,954</b>
<b>LIABILITIES:</b>					
Total Liabilities	-	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Taxes Receivable	49,725	1,204	1,496	20,352	72,777
<b>Total Deferred Inflows of resources</b>	<b>49,725</b>	<b>1,204</b>	<b>1,496</b>	<b>20,352</b>	<b>72,777</b>
<b>FUND BALANCE:</b>					
Fund Balances:					
Restricted	-	175,807	230,297	145,996	552,100
Unassigned:	217,077	-	-	-	217,077
<b>Total Fund Balance</b>	<b>217,077</b>	<b>175,807</b>	<b>230,297</b>	<b>145,996</b>	<b>769,177</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 266,802</b>	<b>\$ 177,011</b>	<b>\$ 231,793</b>	<b>\$ 166,348</b>	<b>\$ 841,954</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 769,177
Governmental Capital Assets	422,558
Long-term Liabilities	
Long-Term Obligations	(54,777)
Compensated Absences	(69,369)
Unavailable Property Taxes Receivable	72,777
<b>Net Position of Governmental Activities</b>	<b>\$ 1,140,366</b>

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

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

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation (Elem.)	Bus Depreciation (H.S.)		
<b>REVENUES:</b>					
District Levies	\$ 663,631	\$ 45,831	\$ 44,859	\$ 263,487	\$ 1,017,808
Interest	140	300	478	220	1,138
Charges for Services	-	-	-	31,316	31,316
Other	53,621	-	-	2,501	56,122
County	-	-	-	254,637	254,637
State	993,504	-	-	106,328	1,099,832
Federal	-	-	-	186,556	186,556
<b>Total Revenues</b>	<b>1,710,896</b>	<b>46,131</b>	<b>45,337</b>	<b>845,045</b>	<b>2,647,409</b>
<b>EXPENDITURES:</b>					
<b>Current</b>					
Instructional Services	1,011,078	-	-	351,165	1,362,243
Support Services	-	-	-	33,737	33,737
Educational Media Services	4,552	-	-	-	4,552
General Administrative Services	239,915	-	-	56,030	295,945
Operation & Maintenance Services	244,301	-	-	44,877	289,178
Transportation Services	-	-	-	311,445	311,445
School Food Services	97,742	-	-	99,786	197,528
Extracurricular	88,575	-	-	7,846	96,421
<b>Total Expenditures</b>	<b>1,686,163</b>	<b>-</b>	<b>-</b>	<b>904,886</b>	<b>2,591,049</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>24,733</b>	<b>46,131</b>	<b>45,337</b>	<b>(59,841)</b>	<b>56,360</b>
<b>OTHER FINANCING SOURCES/USES</b>					
Fund Transfers In	43,000	-	-	56,010	99,010
Fund Transfers (Out)	-	(36,970)	(34,040)	(28,000)	(99,010)
<b>Total Other financial Sources/Uses</b>	<b>43,000</b>	<b>(36,970)</b>	<b>(34,040)</b>	<b>28,010</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>67,733</b>	<b>9,161</b>	<b>11,297</b>	<b>(31,831)</b>	<b>56,360</b>
<b>FUND BALANCE:</b>					
Beginning of the Year	149,300	166,646	219,000	177,870	712,816
Prior Period Adjustment	43	-	-	(43)	-
<b>End of the Year</b>	<b>\$ 217,077</b>	<b>\$ 175,807</b>	<b>\$ 230,297</b>	<b>\$ 145,996</b>	<b>\$ 769,177</b>

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

Big Sandy School District No. 11 & 2  
Chouteau County  
Big Sandy, MT 59520

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

Net Changes in Fund Balance		\$	56,360
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			15,538
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(41,815)		
(Increase) decrease in Other Post Employment Benefits	(8,937)		
(Increase) decrease in compensated absence liability	<u>14,691</u>		<u>(36,061)</u>
Change in net position reported on the Statement of Activity		\$	<u>35,837</u>

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

Big Sandy School District No. 11 & 2  
 Chouteau County  
 Big Sandy, MT 59520

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

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 65,168	\$ 77,078
Total Assets	<u>65,168</u>	<u>77,078</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	77,078
Total Liabilities	<u>-</u>	<u>77,078</u>
<b>NET POSITION:</b>		
Restricted for Student Activities	65,168	
Total Net Position	<u>\$ 65,168</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET  
 FIDUCIARY FUNDS  
 For the year ended June 30, 2014

	Private Purpose
	Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 104,623
Total Additions	<u>104,623</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	104,143
Total Deductions	<u>104,143</u>
CHANGE IN NET POSITION	480
<b>NET POSITION:</b>	
Beginning of the Year	64,688
End of the Year	<u>\$ 65,168</u>

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

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Big Sandy School District No. 11 & 2 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

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

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

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

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

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

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

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

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

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

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

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

1. b. 2 FUND ACCOUNTING

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

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

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

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

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

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

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

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary and High School Bus Depreciation Fund – These funds are used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.

1. b. 3 OTHER FUND TYPES

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

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

1. c. 1 CASH AND INVESTMENTS

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

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

1. c. 2 TAXES

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

1. c. 3 INVENTORIES

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Improvements other than buildings	25 years
Machinery and Equipment	5 – 20 years

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

NOTES TO THE FINANCIAL STATEMENTS  
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1.c. 5 DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 16 days of sick leave at the beginning of each year. Unused sick leave will be accruable to a maximum of 90 days. Upon termination, certified employees with more than 10 years of service with the district receive \$35 per day for unused sick leave with rates increasing to \$55 per day after 30 years of service.

Certified employees accumulate sick leave to a maximum of 90 days. Upon termination, certified employees with more than 10 years of service with the District receive \$35 per day for unused sick leave with rates increasing to \$55 per day after 30 years of service. Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$12,938 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

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

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 13,795
Student Transportation	443,020
School Food	3,310
Third Party Grantor Restrictions	13,886
Employer Retirement Benefits	4,178
Future Technology	7,599
Future Capital Costs	66,312
Total	<u>\$ 552,100</u>

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

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

1.d. 2 County Provided Services

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 707,334	\$ 142,246	\$ 849,580

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

	<u>Amount</u>
Cash on Hand	\$ 175
Demand Accounts	65,168
County Investment Pool	784,237
Total	\$ 849,580

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

The cash of the extracurricular funds is held separately by the School District, not at the Chouteau County. As of June 30, 2014, \$65,168 was exposed to custodial credit risk and was covered by FDIC insurance.

Interest Rate Risk: The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The School District's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the School District's investment portfolio is made up of securities whose maturities are less than 10 years.

2. a1 SHORT TERM INVESTMENT POOL (STIP)

STIP is an external investment pool of the State of Montana. Although the STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company STIP has policy that it will be consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The School District's participant unit price is fixed at \$1 for both buys and sells.

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NOTES TO THE FINANCIAL STATEMENTS  
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The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value.

The STIP portfolio includes asset-backed and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government agency and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate). Because of the pooled funds concept, cash held in STIP cannot be categorized as to custodial risk. For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$5,725,551 for the Elementary School District and \$6,040,332 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	64.58	\$ 24,450
Transportation	19.27	6,880
Bus Depreciation*	8.31	1,204
Tuition	3.49	491
Technology	2.52	936
Building Reserve	0	849
<u>High School Fund</u>		
General*	51.95	25,275
Transportation	11.84	6,651
Bus Depreciation*	7.87	1,496
Tuition	1.99	372
Adult Education	1.32	418
Technology	5.96	2,610
Building Reserve	0	1,145
Total	<u>179.10</u>	<u>\$ 72,777</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	\$ 332	State of MT	Matching funds
Miscellaneous	4,607	State of MT	Title I Part A
Flexibility	53,581	Warrick EL	School Closed 6/30/2014
<u>High School Fund</u>			
Miscellaneous	1,670	State of MT	Carl Perkins
Traffic Education	1,653	State of MT	Per pupil reimbursement
Total	<u>\$ 61,843</u>		

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>			
Land	\$ 133,714	\$ 0	\$ 133,714

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NOTES TO THE FINANCIAL STATEMENTS  
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<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>			
Buildings	\$ 5,695,015	\$ 0	\$ 5,695,015
Machinery and equipment	<u>707,728</u>	<u>0</u>	<u>707,728</u>
Total Depreciable	<u>\$ 6,402,743</u>	<u>\$ 0</u>	<u>\$ 6,402,743</u>
<u>Accumulated Depreciation:</u>			
Buildings	\$ (5,545,429)	\$ (7,403)	\$ (5,552,832)
Machinery and equipment	<u>(526,655)</u>	<u>(34,412)</u>	<u>(561,067)</u>
Total Depreciation	<u>\$ (6,072,084)</u>	<u>\$ (41,815)</u>	<u>\$ (6,113,899)</u>
Net Depreciable Assets	<u>330,659</u>	<u>(41,815)</u>	<u>288,844</u>
Net General Capital Assets	<u>\$ 464,373</u>	<u>\$ (41,815)</u>	<u>\$ 422,558</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 2,412
School Administration	775
Operation & Maintenance	9,109
Transportation	29,075
Extracurricular	<u>444</u>
Total Depreciation Expense	<u>\$ 41,815</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 84,060	\$ 0	\$ 14,691	\$ 69,369	\$ 12,938
Other Post-Employment Benefits (OPEB)	<u>45,840</u>	<u>8,937</u>	<u>0</u>	<u>54,777</u>	<u>0</u>
Total Other Liabilities	<u>\$ 129,900</u>	<u>\$ 8,937</u>	<u>\$ 14,691</u>	<u>\$ 124,146</u>	<u>\$ 12,938</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 129,900</u>	<u>\$ 8,937</u>	<u>\$ 14,691</u>	<u>\$ 124,146</u>	<u>\$ 12,938</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 24,450	Taxes Receivable
Transportation	6,880	Taxes Receivable
Bus Depreciation*	1,204	Taxes Receivable
Tuition	491	Taxes Receivable
Technology	936	Taxes Receivable
Building Reserve	849	Taxes Receivable
<u>High School Fund</u>		
General*	25,275	Taxes Receivable
Transportation	6,651	Taxes Receivable
Bus Depreciation*	1,496	Taxes Receivable
Tuition	372	Taxes Receivable
Adult Education	418	Taxes Receivable
Technology	2,610	Taxes Receivable
Building Reserve	<u>1,145</u>	Taxes Receivable
Total	<u>\$ 72,777</u>	

\* Denotes Major Funds

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

NOTE 8. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Transportation	\$ 20,000	Inter-local agreement - Allowable transfer
Bus Depreciation*	36,970	Building reserve - School safety & security
<u>High School Fund - From</u>		<u>High School Fund - To</u>
Transportation	8,000	Inter-local agreement - Allowable transfer
Bus Depreciation*	19,040	Building reserve - School safety & security
Bus Depreciation*	15,000	Inter-local agreement - Allowable transfer
Total	<u>\$ 99,010</u>	

\* Denotes Major Funds

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$7,200 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of July 1, 2013 was as follows:

Actuarial Accrued Liability (AAL)	\$ 109,708
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>109,708</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,324,804
UAAL as a percentage of covered payroll	8%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2013.

Annual Required Contribution (ARC)	\$ 8,937
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	8,937
Contribution made	<u>0</u>
Increase in net OPEB obligation	8,937
Net OPEB obligation - beginning of year	<u>45,840</u>
Net OPEB obligation - end of year	<u>\$ 54,777</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	5.5%
Average Salary Increase	3.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

NOTE 10. RISK MANAGEMENT

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

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

NOTE 11. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 135,932	\$ 151,543	\$ 205,378
PERS	44,811	50,029	57,045
Total	<u>\$ 180,743</u>	<u>\$ 201,572</u>	<u>\$ 262,423</u>

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

NOTE 12. COOPERATIVE

12. a. SPECIAL EDUCATION

The Big Sandy School District No. 11 & 2 is a member of the Bear Paw Special Education Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Big Sandy School District No. 11 & 2, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Chouteau Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 13. TRANSPORTATION

The District contracts two of its six bus routes for student transportation needs with Matthews Transportation. Matthew's provides buses, drivers, and maintenance of the buses for all student transportation needs for those two routes. The contract is for six years from fiscal year 2012 through 2018 for \$1.82 per mile with adjustments for fuel and mileage changes. Transportation fees paid in fiscal year 2014 were \$ 103,271.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

Elementary Fund	Amount	REASON
General*	24	Flexibility fund included in general fund since it has similar restrictions.
High school fund		
General*	<u>19</u>	Flexibility fund included in general fund since it has similar restrictions.
Total	<u>\$43</u>	

\* Denotes Major Funds

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2012</u>	<u>0</u>	<u>109,708</u>	<u>109,708</u>	<u>0%</u>	<u>1,324,804</u>	<u>8%</u>

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

	General Fund			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 683,578	\$ 683,578	\$ 663,631	\$ 47,568	\$ 47,568	\$ 45,831
Interest	155	155	140	-	-	300
Other	31		53,621	-	-	-
State	969,001	969,001	993,504	-	-	-
<b>Total Revenues</b>	<u>1,652,765</u>	<u>1,652,734</u>	<u>1,710,896</u>	<u>47,568</u>	<u>47,568</u>	<u>46,131</u>
<b>EXPENDITURES:</b>						
Current						
Instructional Services			1,011,078			-
Educational Media Services			4,552			-
General Administrative Services			239,915			-
Operation & Maintenance Services			244,301			-
School Food Services			97,742			-
Extracurricular			88,575			-
<b>Total Current Outlays</b>			<u>1,686,163</u>			<u>-</u>
Capital Outlay			-	214,214	214,214	-
<b>Total Expenditures</b>	<u>1,659,475</u>	<u>1,659,475</u>	<u>1,686,163</u>	<u>214,214</u>	<u>214,214</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(6,710)</u>	<u>(6,741)</u>	<u>24,733</u>	<u>(166,646)</u>	<u>(166,646)</u>	<u>46,131</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In			43,000			
Fund Transfers (Out)			-			(36,970)
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>43,000</u>	<u>-</u>	<u>-</u>	<u>(36,970)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(6,710)</u>	<u>(6,741)</u>	<u>67,733</u>	<u>(166,646)</u>	<u>(166,646)</u>	<u>9,161</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			149,300			166,646
Prior Period Adjustments			43			
<b>End of the Year</b>			<u>\$ 217,077</u>			<u>\$ 175,807</u>

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

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

	Bus Depreciation (H.S.)		
	Original Budget	Final Budget	Actual
<b>REVENUES:</b>			
District Levies	\$ 47,567	\$ 47,567	\$ 44,859
Interest	-	-	478
Other	-	-	-
State	-	-	-
<b>Total Revenues</b>	<u>47,567</u>	<u>47,567</u>	<u>45,337</u>
<b>EXPENDITURES:</b>			
Current			
Instructional Services			-
Educational Media Services			-
General Administrative Services			-
Operation & Maintenance Services			-
School Food Services			-
Extracurricular			-
<b>Total Current Outlays</b>			<u>-</u>
Capital Outlay	<u>266,568</u>	<u>266,568</u>	-
<b>Total Expenditures</b>	<u>266,568</u>	<u>266,568</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(219,001)</u>	<u>(219,001)</u>	<u>45,337</u>
<b>OTHER FINANCING SOURCES/USES</b>			
Fund Transfers In			
Fund Transfers (Out)			(34,040)
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>(34,040)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(219,001)</u>	<u>(219,001)</u>	<u>11,297</u>
<b>FUND BALANCE:</b>			
Beginning of the Year			<u>219,000</u>
Prior Period Adjustments			
End of the Year			<u>\$ 230,297</u>

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

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

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

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

The District approved a budget amendment due to unanticipated retirements under the provisions of 20-9-161(6b), MCA for the elementary and high school retirement funds. The budget amendment was for \$21,000 and \$15,000 respectively and the anticipated funding source will be retirement fund reserves.

BIG SANDY SCHOOL DISTRICT NO. 11 & 2

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

NOTE 5. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (Elem)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund(Elem)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Sub-fund Interlocal Agreement Fund(Elem)</u>	<u>Total General Fund</u>
<b>REVENUES:</b>						
District Levies	\$ 362,346	\$ 301,283	\$ 0	\$ 2	\$ 0	\$ 663,631
Interest Earnings	45	71	3	21	0	140
Other	37	3	53,581	0	0	53,621
State Sources	<u>534,601</u>	<u>431,422</u>	<u>2,435</u>	<u>25,046</u>	<u>0</u>	<u>993,504</u>
Total Revenues	<u>\$ 897,029</u>	<u>\$ 732,779</u>	<u>\$ 56,019</u>	<u>\$ 25,069</u>	<u>\$ 0</u>	<u>\$ 1,710,896</u>
<b>EXPENDITURES:</b>						
Instructional Services	573,652	391,498	2,283	645	43,000	1,011,078
Educational Media	3,154	1,398	0	0	0	4,552
General Administrative	92,317	147,598	0	0	0	239,915
Operation & Maintenance	133,798	110,503	0	0	0	244,301
Extracurricular	17,855	70,720	0	0	0	88,575
School Food	<u>75,507</u>	<u>22,235</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,742</u>
Total Expenditures	<u>\$ 896,283</u>	<u>\$ 743,952</u>	<u>\$ 2,283</u>	<u>\$ 645</u>	<u>\$ 43,000</u>	<u>\$ 1,686,163</u>
Excess(Deficiency) of Revenue Over Expenditures	746	(11,173)	53,736	24,425	(43,000)	24,734
Fund Transfer In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,000</u>	<u>43,000</u>
Net Changes In Fund Balance	746	(11,173)	53,736	24,425	0	67,734
<b>FUND BALANCE:</b>						
Beginning of the Year	<u>74,567</u>	<u>74,733</u>	<u>19</u>	<u>24</u>	<u>0</u>	<u>149,343</u>
Ending of the Year	<u>75,313</u>	<u>63,560</u>	<u>53,755</u>	<u>24,449</u>	<u>0</u>	<u>217,077</u>

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

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

Big Sandy SD  
Schedule of Revenues, Expenses and Balances  
Student Activity Funds  
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance	Revenues	Expenses	Transfers	Ending Balance
ATHLETICS	1,020	19,580	19,110	(128)	1,362
BAND CLUB	535	10,957	10,404	-	1,087
BAND RENTAL	692	687	604	-	775
CARNIVAL	1,216	6,815	1,096	(5,706)	1,230
CHEERLEADERS	100	-	-	-	100
DANCE TEAM	139	-	-	-	139
CLASS OF 2017	2,585	1	110	1,557	4,033
AP TESTING FUND	369	0	112	-	258
CLASS OF 2016	5,593	2	187	3,174	8,582
CLASS OF 2015	8,713	3,114	2,527	3,230	12,530
FFA	1,775	6,778	7,019	875	2,409
FHA	6,164	6,055	5,500	-	6,719
FOOTBALL	317	2,010	782	-	1,545
HONOR SOCIETY	44	-	-	-	44
CONCESSIONS	3,626	31,564	23,761	(10,799)	629
PIONEER CLUB	-	1,360	867	-	494
POP MACHINE	1,393	445	129	-	1,708
PUBLICATIONS	5,588	5,801	4,800	-	6,589
SCIENCE CLUB	515	50	70	-	495
SPEECH CLUB	39	-	-	-	39
STUDENT COUNCIL	6,674	5,848	4,146	0	8,376
WRESTLING	29	1,424	1,222	-	231
SCHOOL PLAY	1,231	0	-	-	1,231
VOLLEYBALL	160	27	-	-	187
CLASS OF 2018	946	0	88	1,747	2,605
CLASS OF 2019	-	5	217	1,401	1,189
TENNIS	291	0	-	-	291
TENNIS COURTS	76	-	-	-	76
CLASS OF 2014	14,767	1,977	21,392	4,648	-
JR HIGH FOOTBALL	92	-	-	-	92
<b>Total</b>	<u>64,688</u>	<u>104,500</u>	<u>104,143</u>	<u>-</u>	<u>65,045</u>

FALL ENROLLMENT - OCTOBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	12	12	0
Grade 1 - 6	86	86	0
Grade 7 - 8	<u>28</u>	<u>28</u>	<u>0</u>
Total	<u>126</u>	<u>126</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>49</u>	<u>49</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>1</u>	<u>1</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	11	11	0
Kindergarten Part	1	1	0
Grade 1 - 6	86	86	0
Grade 7 - 8	<u>26</u>	<u>26</u>	<u>0</u>
Total	<u>124</u>	<u>124</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>49</u>	<u>49</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	13	13	0
Kindergarten Part	1	1	0
Grade 1 - 6	89	89	0
Grade 7 - 8	<u>26</u>	<u>26</u>	<u>0</u>
Total	<u>129</u>	<u>129</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>47</u>	<u>47</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Big Sandy School District No. 11 & 2  
Chouteau County  
Big Sandy, MT 59520

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Sandy School District No. 11 & 2 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Big Sandy School District No. 11 & 2's basic financial statements and have issued our report thereon dated January 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Big Sandy School District No. 11 & 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Big Sandy School District No. 11 & 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
January 6, 2015

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

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SCHEDULE OF FINDINGS AND RESPONSES

FINDING NUMBER 1 - EXPENDITURES FY 2013:

This was not a finding in fiscal year 2014.