

COLUMBUS SCHOOL DISTRICT NO. 6

**STILLWATER COUNTY
COLUMBUS, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Columbus School District No. 6
 Stillwater County
 Columbus, Montana 59019

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Columbus School District No. 6
Stillwater County
Columbus, Montana 59019

ORGANIZATION

BOARD OF TRUSTEES

Joe Morse	Chair
Jason Wells	Vice Chair
Debbie Crutcher	Trustee
Jonathan McDonald	Trustee
Robert Smith	Trustee

OFFICIALS

Allan Sipes	Superintendent
Merridy Gauthier	District Clerk
Judy Martin	County Superintendent
John Petak	County Attorney

Columbus School District #6
Management Discussion & Analysis (MD&A)
For the Year Ended June 30, 2014

The Superintendent and Business Manager/Clerk of the Columbus School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ending June 30, 2014. Please read it in conjunction with the District's basic financial statements.

Financial Highlight

The District's financial position has been consistently stable district-wide. A large part of the financial stability in the District can be tied to the fiscal responsibility of the administration. For the past fourteen years, the District's budget/spending has become more stable due to close monitoring of all monies spent. The community has also been supportive of our school. We have an active parent group and many community volunteers who donate their time and talents as well as voting for the general fund operating levies.

Using This Financial Report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the District. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a long-term view of the District's finances.

Fund financial statements present a short-term view of the District's activities. Generally accepted accounting principles require that only major funds are disclosed in these financial statements. These statements provide detailed information about the District's general funds, which qualify as major funds. The fund statements report balances and activities of these "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the fund, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

The District as A Whole

One general question to answer in relation to this year in comparison to last school year is whether or not the District is better or worse off as a result of the year's activities. The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation on capital assets. This is very similar to the basis of accounting used by most private-sector companies. State law generally requires school districts to segregate money generated for certain specific purposes, such as transportation and debt service, in separate fund accounts.

District Net Position

The District's net changes in assets for fiscal year 2014 were as follows:

	Governmental Activities		Total Change	
	FY 2013	FY 2014	\$Change	%Change
Current Assets	\$2,784,314	\$2,663,884	(120,430)	- 4.33%
Capital Assets - net	6,392,345	6,143,729	(248,616)	- 3.89%
Total Assets	9,176,659	8,807,613	(369,046)	- 4.02%
Current Liabilities	24,189	25,140	951	3.93%
Long Term Liabilities	1,834,920	1,551,505	(283,415)	- 15.45%
Total Liabilities	1,859,109	1,576,645	(282,464)	- 15.19%
Net Position:				
Net Investment in Capital Assets	4,842,345	4,883,729	41,384	0.85%
Restricted net position	1,691,600	1,428,616	(262,984)	- 15.55%
Unrestricted	783,605	918,623	135,018	17.23%
Total Net Position	7,317,550	7,230,968	(86,582)	- 1.18%

In FY14, the District purchased a snow plow for our maintenance department as well as various other minor maintenance equipment. The building heating systems underwent repairs and improvements, and our parking lots were sealed and repaired. We invested in a new scoreboard for our football field. The District also purchased a new Bluebird bus. Our standard purchases were less than last fiscal year, however, our capital asset purchases increased. The overall liabilities of the District dropped primarily due to decrease in bond liability.

The District's major funds revenue changes for fiscal year 2014 were as follows:

Program Revenues	FY 2013	FY 2014	Variance	%Change
	Actual	Actual		
Charges for Services	159,721	165,755	6,034	3.78%
Operating Grants	450,063	537,590	87,527	19.45%
General Revenues				
District Levies	2,505,090	2,640,363	135,273	5.40%
State Equalization	1,898,080	2,002,771	104,691	5.52%
Other State Revenue	901,015	773,175	(127,840)	-14.19%
County	666,005	790,434	124,429	18.68%
Investment Earnings	12,045	5,909	(6,136)	-50.94%
Gain on Asset	16,498	1,284	(15,214)	-92.22%
Other Sources	45,923	28,194	(17,729)	-38.61%
Total Revenues	6,654,440	6,945,475	291,035	4.37%

Columbus Public Schools have been stable financially over the last few years. Our revenues have allowed us to stay within our budget.

General Expenses	FY 2013	FY 2014		
	Actual	Actual	Variance	%Change
Instruction	3,362,460	3,809,986	447,526	13.31%
Support	160,871	182,163	21,292	13.24%
Educ. Media Services	329,561	404,409	74,848	22.71%
Gen. Admin. Services	662,501	706,607	44,106	6.66%
Op. & Maint. Services	624,011	732,943	108,932	17.46%
Transportation	312,114	319,367	7,253	2.32%
Extracurricular	219,243	222,831	3,588	1.64%
School Food Services	230,020	244,456	14,436	6.28%
Interest and other charges	57,045	48,645	(8,400)	-14.73%
Depreciation-unallocated	365,949	358,834	(7,115)	-1.94%
Total Expenses	6,323,775	7,030,241	706,466	11.17%

In projecting a decrease in revenues in the last few years due to legislature, the District began a process over the course of time to stabilize spending in several areas such as purchases of equipment, supplies, etc. Increases are, in general, directly tied to negotiated salary increases.

Capital Assets and Debt of the District

The District's significant long-term debt is its general obligation building bonds. Details of the changes in capital assets and long-term debt are described in the financial statements.

Analysis of Financial Information and the Future of the District

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from and events that are expected to affect the District's financial situation in the future.

Columbus School District has been fairly stable over the past several years. Mill levies have passed without difficulty. Other major factors helping with the financial mandates and obligations of the District have been Mine Impact funds, REAP monies, various federal funds, state funding sources, and debt service revenues. District retirement funds are generated from a countywide tax levy. The District also has transportation revenues funded by state and county-wide sources.

Because state aid revenue is based on enrollment, the budget will increase in the elementary district. Additionally, we project a slight decrease in the high school enrollment, which will be offset by inflationary adjustments in the state revenue. Overall, the total K-12 budgets will increase for FY2015. Federal funds should be back to near normal levels due to the sequestration settlement in Congress. We do not receive significant Federal funds, so this impact has been minimal upon the District. Our Metal Mine Reserve accounts continue to regularly collect revenue. The District does not have any major plans that would significantly impact these account balances.

Contact for Additional Information

If you have questions about this report or need additional information, contact:

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Allan Sipes
Superintendent
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(406) 322-5373

Columbus School District
433 N. 3rd St.
Columbus, MT 59019

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Columbus School District No. 6
Stillwater County
Columbus, Montana 59019

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 Columbus School District No. 6 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 Columbus School District No. 6 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 budgetary comparison information (pages 24 - 28) 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 Columbus School District No. 6's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 29) and schedule of reported enrollment (page 30) 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 May 1, 2015 on our consideration of Columbus School District No. 6 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 Columbus School District No. 6 internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 1, 2015

Columbus School District No. 6
 Stillwater County
 Columbus, Montana 59019

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,546,719
Taxes Receivable	113,498
Due From Other Governments	<u>3,669</u>
Total Current Assets	<u>2,663,886</u>
Capital Assets:	
Land	575,142
Net Depreciable Assets	<u>5,568,587</u>
Total Noncurrent Assets	<u>6,143,729</u>
Total Assets	<u>\$ 8,807,615</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	<u>\$ 25,140</u>
Total Current Liabilities	<u>25,140</u>
Noncurrent Liabilities:	
Compensated Absences	291,505
Long-Term Capital Obligations	<u>1,260,000</u>
Total Noncurrent Liabilities	<u>1,551,505</u>
Total Liabilities	<u>1,576,645</u>
NET POSITION:	
Net investment in capital assets	4,883,729
Restricted	1,454,225
Unrestricted (Deficit)	<u>893,016</u>
Total Net Position	<u>7,230,970</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 8,807,615</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	Capital Grants and Contributions	Primary Government
					Governmental Activities
GOVERNMENT OPERATIONS					
Instructional Services	\$ 3,809,986	\$ 4,025	\$ 326,482	\$ -	\$ (3,479,479)
Support Services	182,162	-	-	-	(182,162)
Educational Media Services	404,410	-	-	-	(404,410)
General Administrative Services	706,605	-	-	-	(706,605)
Operation & Maintenance Services	732,944	-	-	-	(732,944)
Transportation Services	319,365	-	132,521	-	(186,844)
School Food Services	244,456	161,730	78,587	-	(4,139)
Extracurricular	222,831	-	-	-	(222,831)
Debt Service					
Interest and other charges	48,645	-	-	-	(48,645)
Unallocated Depreciation Expense *	358,834	-	-	-	(358,834)
Total Governmental Activities	7,030,238	165,755	537,590	-	(6,326,893)
GENERAL REVENUES					
District Levies					2,640,365
State Equalization					2,002,771
Other State Revenues					773,175
County					790,434
Interest					5,906
Other					28,194
Gain loss on Sale of Assets					1,283
Total General Revenues					6,242,128
Change in Net Position					(84,765)
Net Position					
Beginning of the Year					7,317,550
Prior Period Adjustments					(1,815)
End of the Year					\$ 7,230,970

* Excludes depreciation included in direct expenses of the various functions

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

Columbus School District No. 6
 Stillwater County
 Columbus, Montana 59019

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR			Other Governmental Funds	Total Governmental Funds
	General	Bus Depreciation (Elem.)	Debt Service (HS)		
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 1,161,870	\$ 360,366	\$ 20,578	\$ 1,003,905	\$ 2,546,719
Taxes Receivable	76,856	3,460	16,007	17,175	113,498
Due From Other Governments	-	-	-	3,669	3,669
Total Assets	\$ 1,238,726	\$ 363,826	\$ 36,585	\$ 1,024,749	\$ 2,663,886
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	76,856	3,460	16,007	17,175	113,498
Total Deferred Inflows of resources	76,856	3,460	16,007	17,175	113,498
FUND BALANCE:					
Fund Balances:					
Restricted	-	360,366	20,578	1,007,574	1,388,518
Unassigned:	1,161,870	-	-	-	1,161,870
Total Fund Balance	1,161,870	360,366	20,578	1,007,574	2,550,388
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,238,726	\$ 363,826	\$ 36,585	\$ 1,024,749	\$ 2,663,886

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 2,550,388
Governmental Capital Assets	6,143,729
Long-term Liabilities	
Compensated Absences	(316,645)
Long-Term Capital Obligations	(1,260,000)
Unavailable Property Taxes Receivable	113,498
Net Position of Governmental Activities	\$ 7,230,970

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

Columbus School District No. 6
 Stillwater County
 Columbus, Montana 59019

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

	MAJOR				Total Governmental Funds
	General	Bus Depreciation (Elem.)	Debt Service (HS)	Other Governmental Funds	
REVENUES:					
District Levies	\$ 1,955,395	\$ 85,889	\$ 157,928	\$ 396,654	\$ 2,595,866
Interest	2,672	708	165	2,362	5,907
Charges for Services	-	-	-	165,755	165,755
Other	4,725	-	-	23,469	28,194
County	276,939	-	-	579,754	856,693
State	2,894,926	-	241	139,336	3,034,503
Federal	-	-	-	212,773	212,773
Total Revenues	5,134,657	86,597	158,334	1,520,103	6,899,691
EXPENDITURES:					
Current					
Instructional Services	2,982,745	-	-	820,900	3,803,645
Support Services	158,940	-	-	23,222	182,162
Educational Media Services	364,837	-	-	39,639	404,476
General Administrative Services	635,554	-	-	66,293	701,847
Operation & Maintenance Services	702,964	-	-	31,737	734,701
Transportation Services	11,966	-	-	309,069	321,035
School Food Services	9,291	-	-	235,235	244,526
Extracurricular	191,074	-	-	31,757	222,831
Debt Service	-	-	-	-	-
Principal	-	-	150,000	140,000	290,000
Interest and other charges	-	-	25,090	23,555	48,645
Capital Outlay	13,354	45,500	-	51,896	110,750
Total Expenditures	5,070,725	45,500	175,090	1,773,303	7,064,618
NET CHANGES IN FUND BALANCES	63,932	41,097	(16,756)	(253,200)	(164,927)
FUND BALANCE:					
Beginning of the Year	1,042,323	319,269	37,334	1,316,389	2,715,315
Prior Period Adjustments	55,615	\$ -	\$ -	(55,615)	-
End of the Year	\$ 1,161,870	\$ 360,366	\$ 20,578	\$ 1,007,574	\$ 2,550,388

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

Columbus School District No. 6
Stillwater County
Columbus, Montana 59019

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		\$	(164,927)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			44,499
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(358,834)		
(Increase) decrease in compensated absence liability	<u>(7,536)</u>		(366,370)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	110,750		
Gain loss on sale of assets	1,283		
Principal payments on bonds	<u>290,000</u>		<u>402,033</u>
Change in net position reported on the Statement of Activity		\$	<u>(84,765)</u>

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

Columbus School District No. 6
 Stillwater County
 Columbus, Montana 59019

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

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 90,693	\$ 477,992
Total Assets	<u>90,693</u>	<u>477,992</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	477,992
Total Liabilities	<u>-</u>	<u>477,992</u>
NET POSITION:		
Restricted for Endowment	8,168	
Restricted for Student Activities	82,525	
Total Net Position	<u>\$ 90,693</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 254,902
Contributions to Endowment	8,756
Total Additions	<u>263,658</u>
DEDUCTIONS:	
Expenses of Student Activities	262,750
Student Scholarships	7,749
Total Deductions	<u>270,499</u>
CHANGE IN NET POSITION	(6,841)
NET POSITION:	
Beginning of the Year	97,534
End of the Year	<u>\$ 90,693</u>

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

COLUMBUS SCHOOL DISTRICT NO. 6

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 Columbus School District No. 6 (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.

COLUMBUS SCHOOL DISTRICT NO. 6

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

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

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

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

- Charges for services such as school lunch fees and facility rental fees 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, 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 and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

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

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

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.

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.

The School District reports the following major governmental funds:

COLUMBUS SCHOOL DISTRICT NO. 6

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

- 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 elementary and high school flexibility funds, the elementary and high school metal mines funds, and the elementary state mining impact fund since the restrictions on those funds are similar to the general fund.
- Elementary Bus Depreciation Fund – This fund is 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 busses and two-way radio equipment owned by the School District.
- High School Debt Service Fund – This fund is used to account for the financing needs of the School District to pay interest and principal on outstanding bonds and special improvement School District (SID) assessments.

1. b. 3 OTHER FUND TYPES

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

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.

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

1. c. 1 CASH AND INVESTMENTS

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

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Stillwater County'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:

COLUMBUS SCHOOL DISTRICT NO. 6

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	10 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two 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 10 days of sick leave each year. Unused sick leave will be accruable up to 95 days. Up to 3 days personal leave with pay shall be granted each year. At the end of the school year up to 2 days of unused personal leave may be carried over to allow a maximum accumulation of five (5) days. Termination payments are made at 25% the employee's current salary.

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 \$25,140 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	\$ 280,762
Student Transportation	810,120
School Food	21,975
Third Party Grantor Restrictions	28,559
Employer Retirement Benefits	69,213
Future Technology	42
Future Capital Costs	139,093
Debt Service	38,754
Total	<u>\$ 1,388,518</u>

COLUMBUS SCHOOL DISTRICT NO. 6

NOTES TO THE FINANCIAL STATEMENTS (continued)
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 Stillwater County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by Stillwater County which are subject to distribution to the various taxing jurisdictions located in Stillwater 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 Stillwater County Treasurer. No service charges have been recorded by the School District or Stillwater County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,546,719	\$ 568,685	\$ 3,115,404

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

	<u>Amount</u>
Demand Accounts	\$ 82,554
County Investment Pool	<u>3,032,850</u>
Total	<u>\$ 3,115,404</u>

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

The cash of the extracurricular funds is held separately by the School District, not at the Stillwater County. As of June 30, 2014, \$82,554 was exposed to custodial credit risk and was covered by FDIC insurance.

NOTE 3. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	\$ 1,030	State of MT	Matching payment
<u>High School Fund</u>			
Miscellaneous	500	State of MT	Vo-Ed grant
Traffic Education	<u>2,139</u>	State of MT	Per pupil reimbursement
Total	<u>\$ 3,669</u>		

* Denotes Major Funds

COLUMBUS SCHOOL DISTRICT NO. 6

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

NOTE 4. 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 \$16,842,778 for the Elementary School District and \$16,433,974 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>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	73.41	\$ 47,791
Transportation	4.38	3,439
Bus Depreciation*	5.16	3,460
Tuition	0.00	103
Adult Education	0.59	406
Debt Service	9.45	6,254
<u>High School Fund</u>		
General*	45.60	29,065
Transportation	3.71	3,121
Bus Depreciation	5.07	3,287
Tuition	0.00	89
Adult Education	0.80	476
Debt Service*	9.85	16,007
Total	<u>158.02</u>	<u>\$ 113,498</u>

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 575,142	\$ 0	\$ 0	\$ 0	\$ 575,142
<u>Depreciable:</u>					
Land Improvements	\$ 833,112	\$ 0	\$ 0	\$ 0	\$ 833,112
Buildings	7,340,662	0	0	0	7,340,662
Major Equipment	1,534,497	134,249	76,170	0	1,592,576
Total Depreciable	<u>\$ 9,708,271</u>	<u>\$ 134,249</u>	<u>\$ 76,170</u>	<u>\$ 0</u>	<u>\$ 9,766,350</u>
<u>Accumulated Depreciation:</u>					
Land Improvements	\$ (213,910)	\$ (41,656)	\$ 0	\$ 0	\$ (255,566)
Buildings	(2,833,195)	(153,571)	0	0	(2,986,766)
Major Equipment	(843,963)	(163,607)	(53,954)	(1,815)	(955,431)
Total Depreciation	<u>\$ (3,891,068)</u>	<u>\$ (358,834)</u>	<u>\$ (53,954)</u>	<u>\$ (1,815)</u>	<u>\$ (4,197,763)</u>
Net Depreciable Assets	<u>5,817,203</u>	<u>(224,585)</u>	<u>22,216</u>	<u>(1,815)</u>	<u>5,568,587</u>
Net Governmental Capital Assets	<u>\$ 6,392,345</u>	<u>\$ (224,585)</u>	<u>\$ 22,216</u>	<u>\$ (1,815)</u>	<u>\$ 6,143,729</u>

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

<u>Function</u>	<u>Amount</u>
Unallocated	<u>\$ 358,834</u>

COLUMBUS SCHOOL DISTRICT NO. 6

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

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>Principal</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>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 1,550,000	\$ 0	\$ 290,000	\$ 1,260,000	\$ 0
Total Bonds and Notes Payable	\$ 1,550,000	\$ 0	\$ 290,000	\$ 1,260,000	\$ 0
<u>Other Liabilities:</u>					
Compensated Absences	\$ 309,109	\$ 7,536	\$ 0	\$ 316,645	\$ 25,140
Total Other Liabilities	\$ 309,109	\$ 7,536	\$ 0	\$ 316,645	\$ 25,140
Total Governmental Activities - Long-Term Debt:	\$ 1,859,109	\$ 7,536	\$ 290,000	\$ 1,576,645	\$ 25,140

6. b. GENERAL OBLIGATION BONDS

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

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
EL 2009 GO Bonds	5/2009	3-3.25%	10 years	5/2019	\$ 1,325,000	\$ 610,000
HS 2009 GO Bonds	5/2009	3-3.25%	10 years	5/2019	1,415,000	650,000
					\$ 2,740,000	\$ 1,260,000

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

	<u>Elementary</u>		<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
For the year ended 6/30:				
2015	\$ 0	\$ 20,955	\$ 0	\$ 22,340
2016	145,000	16,680	155,000	17,765
2017	150,000	12,255	160,000	13,040
2018	155,000	7,603	165,000	8,083
2019	160,000	2,600	170,000	2,763
Totals	\$ 610,000	\$ 60,093	\$ 650,000	\$ 63,991

NOTE 7. DEFERRED INFLOWS OF RESOURCES

PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 47,791	Taxes Receivable
Transportation	3,439	Taxes Receivable
Bus Depreciation*	3,460	Taxes Receivable
Tuition	103	Taxes Receivable
Adult Education	406	Taxes Receivable
Debt Service	6,254	Taxes Receivable
<u>High School Fund</u>		
General*	29,065	Taxes Receivable
Transportation	3,121	Taxes Receivable
Bus Depreciation	3,287	Taxes Receivable
Tuition	89	Taxes Receivable
Adult Education	476	Taxes Receivable
Debt Service*	16,007	Taxes Receivable
Total	\$ 113,498	

* Denotes Major Funds

COLUMBUS SCHOOL DISTRICT NO. 6

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

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 32,102	To include the flexibility fund as general
Flexibility*	(32,102)	To include the flexibility fund as general
State Mining Impact	(143)	To include the state mining impact fund as general
General*	143	To include the state mining impact fund as general
<u>High School Fund</u>		
General*	23,370	To include the flexibility fund as general
Flexibility	(23,370)	To include the flexibility fund as general
Total	<u>\$ 0</u>	
* Denotes Major Funds		
Governmental Type Activities	<u>1,815</u>	Capital asset adjustment
Total	<u>\$ 1,815</u>	

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

The School District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. The School District uses a single premium for both active and retired employees resulting in an implicit rate subsidy (the older retiree benefits from the School District's blended premium). The School District has not recorded a liability for the implicit rate subsidy as based on an analysis of the cost it is not material to the School District's financial statements. At June 30, 2014 the School District had no retired employees on the group insurance plan.

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
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.doa.state.mt.us

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
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	\$ 514,416	\$ 520,315	\$ 605,600
PERS	<u>79,168</u>	<u>78,943</u>	<u>91,333</u>
Total	<u>\$ 593,584</u>	<u>\$ 599,258</u>	<u>\$ 696,933</u>

NOTE 12. COOPERATIVE

12. a. SPECIAL EDUCATION

The Columbus School District No. 6 is a member of the Stillwater/Sweet Grass 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 Columbus School District No. 6, 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 Stillwater County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 13. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

13 a. MULTIDISTRICT COOPERATIVE

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

The Columbus Elementary School District, Absarokee School Districts, and the Park City School Districts have formed a multidistrict agreement as a means of purchasing bulk supplies for the districts. The Columbus Elementary School District is the primary agency of the agreement. The other districts place orders and pay for their shares of supplies through the Columbus Elementary School District inter-local agreement fund.

The Columbus High School District has formed a inter-local agreement with the Montana Digital Academy to provide online learning opportunities that are not normally available to students at Columbus High School. The Columbus High School District provides the technical equipment, classroom, and teachers to make this learning opportunity available. The activity for this inter-local agreement is maintained in the Columbus High School inter-local agreement fund.

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 (Elem)			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,236,356	\$ 1,236,356	\$ 1,221,171	\$ 86,926	\$ 86,926	\$ 85,889
Interest	1,410	1,410	847	1,000	1,000	708
Other	660	660	2,835	-	-	-
State	1,639,210	1,639,210	1,704,921	-	-	-
Total Revenues	<u>2,877,636</u>	<u>2,877,636</u>	<u>2,929,774</u>	<u>87,926</u>	<u>87,926</u>	<u>86,597</u>
EXPENDITURES:						
Current						
Instructional Services			1,870,483	-	-	-
Support Services			92,255	-	-	-
Educational Media Services			212,011	-	-	-
General Administrative Services			406,135	-	-	-
Operation & Maintenance Services			343,424	-	-	-
School Food Services			6,790	-	-	-
Extracurricular			42,935	-	-	-
Capital Outlay			-	372,194	372,194	45,500
Total Expenditures	<u>2,890,999</u>	<u>3,040,999</u>	<u>2,974,033</u>	<u>372,194</u>	<u>372,194</u>	<u>45,500</u>
NET CHANGES IN FUND BALANCES	(13,363)	(163,363)	(44,259)	(284,268)	(284,268)	41,097
FUND BALANCE:						
Beginning of the Year			304,025			319,269
End of the Year			<u>\$ 259,766</u>			<u>\$ 360,366</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

	General (HS)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 744,043	\$ 744,043	\$ 734,224	\$ -	\$ -	\$ -
Interest	1,006	1,006	575	-	-	62
Other	310	310	1,890	-	-	-
State	1,142,935	1,142,935	1,142,935	24,313	24,313	24,313
Total Revenues	<u>1,888,294</u>	<u>1,888,294</u>	<u>1,879,624</u>	<u>24,313</u>	<u>24,313</u>	<u>24,375</u>
EXPENDITURES:						
Current						
Instructional Services			1,077,582	52,238	52,238	10,935
Support Services			66,685	-	-	-
Educational Media Services			152,826	-	-	-
General Administrative Services			213,869	-	-	-
Operation & Maintenance Services			233,236	-	-	-
School Food Services			2,501	-	-	-
Extracurricular			148,139	-	-	-
Capital Outlay			-	4,177	4,177	4,177
Total Expenditures	<u>1,894,838</u>	<u>1,894,838</u>	<u>1,894,838</u>	<u>56,415</u>	<u>56,415</u>	<u>15,112</u>
NET CHANGES IN FUND BALANCES	(6,544)	(6,544)	(15,214)	(32,102)	(32,102)	9,263
FUND BALANCE:						
Beginning of the Year			196,959			32,102
End of the Year			<u>\$ 181,745</u>			<u>\$ 41,365</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

	Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	67
Other	-	-	-
State	22,757	22,757	22,757
Total Revenues	<u>22,757</u>	<u>22,757</u>	<u>22,824</u>
EXPENDITURES:			
Current			
Instructional Services	41,950	41,950	23,745
Support Services	-	-	-
Educational Media Services	-	-	-
General Administrative Services	-	-	-
Operation & Maintenance Services	-	-	-
School Food Services	-	-	-
Extracurricular	-	-	-
Capital Outlay	4,177	4,177	4,177
Total Expenditures	<u>46,127</u>	<u>46,127</u>	<u>27,922</u>
NET CHANGES IN FUND BALANCES	(23,370)	(23,370)	(5,098)
FUND BALANCE:			
Beginning of the Year			23,370
End of the Year			<u>\$ 18,272</u>

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

COLUMBUS SCHOOL DISTRICT NO. 6

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major fund high school debt service is not included in the schedule because it is not a special revenue fund and the elementary and high school metal mines and elementary state mining impact funds are non-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 enrollment increases under the provisions of 20-9-161(1), MCA for the elementary general fund. The budget amendment was for \$150,000 and the State will provide an additional \$65,711 and the remaining funds will be from general fund reserves.

The District also approved budget amendments for the elementary and high school retirement funds under the provisions of 20-9-161(6), MCA. These amendments were required because the provisions for HB377 reserve payments to the Teachers Retirement System were not included in the original budget. The budget amendments were for \$50,000 each and the retirement fund reserves will provide for the additional funds.

COLUMBUS SCHOOL DISTRICT NO. 6

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

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

	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Total</u>
	<u>General</u>	<u>General</u>	<u>Flexibility</u>	<u>Flexibility</u>	<u>Metal</u>	<u>Metal</u>	<u>State Min-</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund (EL)</u>	<u>Fund (HS)</u>	<u>Mines</u>	<u>Mines</u>	<u>ing</u>	
	<u>(Elem)</u>	<u>(HS)</u>			<u>Tax</u>	<u>Tax</u>	<u>Impact</u>	<u>General</u>
					<u>Reserve</u>	<u>Reserve</u>	<u>Fund (EL)</u>	<u>Fund</u>
					<u>Fund (EL)</u>	<u>Fund (HS)</u>		
REVENUES:								
District Levies	\$ 1,221,171	\$ 734,224	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,955,395
Interest Earnings	847	575	62	67	580	541	0	2,672
Other	2,835	1,890	0	0	0	0	0	4,725
County	0	0	0	0	148,101	128,838	0	276,939
State Sources	<u>1,704,921</u>	<u>1,142,935</u>	<u>24,313</u>	<u>22,757</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,894,926</u>
Total Revenues	<u>\$ 2,929,774</u>	<u>\$ 1,879,624</u>	<u>\$ 24,375</u>	<u>\$ 22,824</u>	<u>\$ 148,681</u>	<u>\$ 129,379</u>	<u>\$ 0</u>	<u>\$ 5,134,657</u>
EXPENDITURES:								
Instructional Services	1,870,483	1,077,582	10,935	23,745	0	0	0	2,982,745
Support Services	92,255	66,685	0	0	0	0	0	158,940
Educational Media	212,011	152,826	0	0	0	0	0	364,837
General Administrative	406,135	213,869	0	0	7,775	7,775	0	635,554
Operation & Maintenance	343,424	233,236	0	0	62,677	63,627	0	702,964
Transportation	0	0	0	0	5,983	5,983	0	11,966
Extracurricular	42,935	148,139	0	0	0	0	0	191,076
School Food	6,790	2,501	0	0	0	0	0	9,291
Capital Outlays	0	0	4,177	4,177	2,500	2,500	0	13,354
Total Expenditures	<u>\$ 2,974,033</u>	<u>\$ 1,894,838</u>	<u>\$ 15,112</u>	<u>\$ 27,922</u>	<u>\$ 78,935</u>	<u>\$ 79,885</u>	<u>\$ 0</u>	<u>\$ 5,070,726</u>
Net Changes In Fund Balance	(44,259)	(15,214)	9,263	(5,098)	69,746	49,494	0	63,932
FUND BALANCE:								
Beginning of the Year	304,025	196,959	0	0	266,220	275,119	0	1,042,323
Prior Period Adjustment	0	0	32,102	23,370	0	0	143	55,615
Ending of the Year	<u>259,766</u>	<u>181,745</u>	<u>41,365</u>	<u>18,272</u>	<u>335,966</u>	<u>324,613</u>	<u>143</u>	<u>1,161,870</u>

In the reconciliation the general funds, elementary and high school flexibility funds, elementary and high school metal mines tax reserve funds and elementary state mining impact 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 elementary and high school flexibility funds, elementary and high school metal mines tax reserve funds and elementary state mining impact 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 funds and flexibility funds because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the metal mines tax reserve funds and state mining impact fund are non-budgeted special revenue funds.

Columbus Schools
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Transfers	Ending Balance <u>6/30/2014</u>
ANNUAL	8,883	6,581	8,459	-	7,005
ATHLETICS	19,990	66,727	63,636	34	23,115
MATH	335	764	721	-	378
BAND/CHORUS	1,218	3,012	5,563	1,742	409
CHEERLEADERS	1,227	1,711	2,104	756	1,590
CONCESSIONS	2,510	23,541	25,016	459	1,494
DRAMA	1,160	4,409	3,704	-	1,865
FFA	3,582	8,566	7,686	-	4,462
M.S. ACTIVITY	761	25,626	24,523	-	1,864
FCCLA	8,144	6,518	10,132	-	4,530
HONOR BAND	171	12,482	12,060	-	593
CLASS OF 2016	221	260	98	-	383
NAT'L HONOR SOCIETY	971	639	716	63	957
PEP CLUB	50	329	160	-	219
SOFTBALL	2,770	18,218	15,524	(2,752)	2,712
STUDENT COUNCIL	453	4,266	3,376	539	1,882
X-COUNTRY	7	1,200	1,129	-	78
CLASS OF 2015	199	470	-	-	669
FRIENDS OF RACHEL	7	-	-	-	7
FOREIGN LANGUAGE CLB	466	-	-	-	466
ODYSSEY WARE	4,501	1,547	514	-	5,534
KIOSK	527	-	-	-	527
CLOSE-UP	8,368	30,337	38,577	-	128
GOLF	(339)	2,290	1,525	-	426
ELEM LIBRARY FUND	4,772	2	863	-	3,911
ELEMENTARY	5,265	17,058	15,356	-	6,967
BUSINS PROPOSAL ASSOC	6,441	5,033	6,897	-	4,577
WRESTLING	5,696	6,876	8,275	(258)	4,039
KEY CLUB	847	4,651	4,457	(44)	997
CLASS OF 2014	318	235	14	(539)	-
CLASS OF 2017	-	185	107	-	78
BUILDERS CLUB	852	1,369	1,558	-	663
Total	\$ 90,373	\$ 254,902	\$ 262,750	\$ -	\$ 82,525

COLUMBUS SCHOOL DISTRICT NO. 6

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	65	65	0
Grade 1 - 6	309	309	0
Grade 7 - 8	108	108	0
Total	<u>482</u>	<u>482</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>208</u>	<u>208</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>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	67	67	0
Grade 1 - 6	315	315	0
Grade 7 - 8	108	108	0
Total	<u>490</u>	<u>490</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>200</u>	<u>200</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	69	69	0
Grade 1 - 6	317	317	0
Grade 7 - 8	106	106	0
Total	<u>492</u>	<u>492</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>195</u>	<u>195</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	1	1	0
Less than 719 hours	<u>1</u>	<u>1</u>	<u>0</u>
Total Part-time	<u>2</u>	<u>2</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

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
Columbus School District No. 6
Stillwater County
Columbus, Montana 59019

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 Columbus School District No. 6 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Columbus School District No. 6's basic financial statements and have issued our report thereon dated May 1, 2015

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbus School District No. 6'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.

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 responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District'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 responses to be material weaknesses as items 2014 -001.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbus School District No. 6'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*.

Columbus School District No. 6's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 1, 2015

SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

2014-001 FINDING - LIABILITIES (repeat finding from 2010-2013):

Criteria - Governmental Accounting Standards Board Statement 45 requires Other Post Employment Benefits (OPEB) to be reported. Condition - The District did not calculate or report its OPEB liability. Context: The District reported \$0 of OPEB liability. Effect - There is the possibility that the District's OPEB liability is under stated. Cause - The board of Trustees determined that the cost of determining its OPEB liability was not worth the benefit. Recommendation - We recommend that the District not hire an actuary to calculate their OPEB liability as the cost of the actuary would not result in any benefit to the District. Auditee Response: Our Auditor recommended that the District not hire an actuary to calculate our OPEB liability as the cost of the actuary would not result in any benefit to the District. We will, however, consider the cost-benefit of hiring an actuary to calculate the OPEB liability on a continuous basis.