

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**North Star School Districts 99M**  
Hill County - Rudyard, Montana

*June 30, 2014*



# North Star School Districts 99M

June 30, 2014

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## CONTENTS

ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS .....	1
INDEPENDENT AUDITOR’S REPORT .....	2 - 3
MANAGEMENT DISCUSSION AND ANALYSIS .....	4 - 7
BASIC FINANCIAL STATEMENTS:	
District-Wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities .....	9
Fund Financial Statements:	
Governmental Funds Balance Sheet.....	10
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Position .....	11
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances .....	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the District-Wide Statement of Activities.....	13
Statement of Net Position–Proprietary Funds .....	14
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds.....	15
Statement of Cash Flows-Proprietary Funds .....	16
Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position .....	17
NOTES TO FINANCIAL STATEMENTS.....	18 - 29
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule.....	32 - 33
Notes to Budgetary Comparison Schedule .....	34
Schedule of Funding Progress for the Retiree Health Plan.....	35
SUPPLEMENTAL INFORMATION:	
Schedule of Reported Enrollment .....	38
Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position.....	39
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	40 - 41
SCHEDULE OF FINDINGS AND RESPONSES .....	42



# North Star School Districts 99M

*June 30, 2014*

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## ORGANIZATION

### BOARD OF TRUSTEES

Terry Hybner	Chairperson
Kodi Petersen	Vice-Chairperson
David Miller	Trustee
Robert Spicher	Trustee
Rory Seidlitz	Trustee

### OFFICIALS

Bart Hawkins	District Superintendent
Kathy Preeshl	District Clerk
Diane McLean	County Superintendent
Gina Dahl	County Attorney
Sandy Brown	County Treasurer

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
North Star School Districts 99M  
Hill County  
Rudyard, Montana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Star School Districts 99M, Hill County, Rudyard, Montana, (the Districts) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Districts' 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 of 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 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, business type activities, each major fund, and the aggregate remaining fund information of the Districts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### REQUIRED SUPPLEMENTAL INFORMATION

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

### OTHER INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Districts' basic financial statements. The accompanying supplemental information, such as the Schedule of Reported Enrollment and Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position as referenced in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Reported Enrollment and Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position 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 Schedule of Reported Enrollment and Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 05, 2014 on our consideration of the Districts' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Districts' internal control over financial reporting and compliance.

Havre, MT

November 05, 2014 except for pages 8, 9, 11, 24 and 25 pertaining to capital assets and net position for which the date is May 27, 2015.

## North Star School Districts 99M

# MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

July 01, 2013 - June 30, 2014

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The purpose of the MD&A is to provide currently known facts in an objective and easily readable breakdown of the districts' financial activities. The Business Manager/Clerk of North Star School Districts 99 & M (the Districts) has provided this information based on currently known facts, decisions, and/or conditions.

### **Using this financial report**

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). The Districts came into existence due to consolidation of the former KG and Blue Sky School districts on July 1, 2005. Components and purposes of the report are explained below. This MD&A was developed in conjunction with the current independent financial audit. Where appropriate, citations referencing the independent financial report are included by page number.

### **Brief discussion of the Basic Financial Statements**

The report includes district-wide statements that focus on operations of the districts as a whole. These statements measure inputs and outflows using an economic resources measurement focus and the accrual basis accounting. Activities that are fiduciary in nature are independent of this financial reporting.

*Governmental (District) Funds* reporting focuses on the sources (e.g., property taxes, state and federal revenues), uses (such as instruction, student services, administration), and balances of the current financial resources.

*The Statement of Net Position* shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. That statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Other assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as building, equipment and other long-lived property; and some assets are available to fund budgets in the following year (page 8).

*The Statement of Activities* show the amounts of program-specific and general school districts revenues and associated expenses used to support the school districts' various functions (page 9).

*Reporting the Districts' Trust and Fiduciary Responsibilities* – fiduciary fund types are used to account for assets held by the District; as a trustee and/or an agent for other entity (e.g., individuals, private organizations, other governmental units, and/or other units). The Districts act as the fiduciary for the students' extracurricular fund (page 39). This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 17). The districts cannot use these assets to fund its' operations.

*The Balance Sheet and Statements of Revenues, Expenditures, and Changes in Fund Balance* (pages 10 and 12) are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the districts' activities and programs. With modified accrual accounting, revenues are recognized as the funds become available and expenditures are documented when the liability is incurred. Fund statements include a reconciliation of the governmental fund statement to the district-wide statements (pages 11 and 13). Most significant differences result from the use of different presentation basis. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

### **Reporting the Districts' Most Significant Funds**

The fund statements detail information about those funds used by the Districts. State law and Generally Accepted Accounting Principles (GAAP) establish the funds school districts utilize. State law generally requires school districts to set apart money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. State law also limits the transfer of monies between funds; generally, each fund is autonomous and

continued

## North Star School Districts 99M

### MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

*July 01, 2013 - June 30, 2014*

managed accordingly.

The fund statements report balances and activities of the most significant, or “major” funds separately. The activities of less significant funds are combined into a single category: Other Governmental Funds. Significance of funds is determined based on the proportional size of the funds (at least, 10% of the total of all funds), the relative importance of the activities of the funds to the school districts’ operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column: Other Governmental Funds.

Major Funds as identified in the Governmental Funds Statement on page 10 are: 1) General Fund; 2) Elementary Building Reserve Fund; 3) High School Technology Fund; and 4) High School Building Reserve Fund.

#### Condensed Financial Information

Generally, historical information from the prior year is shown to illustrate trends, problems, and achievement of the Districts’ goals.

ASSETS	2014	2013	Change
Cash and investments	\$ 1,352,490	\$ 1,293,173	\$ 59,317
Property taxes receivable	36,345	34,265	2,080
Due from other governments	4,148	1,614	2,534
Capital assets – net depreciation	2,352,295	2,366,318	(14,023)
Total assets	3,745,278	3,695,370	49,908
LIABILITIES			
Advances from grantors	1,148	1,614	(466)
Compensated absences	12,467	11,314	1,153
Other Post Employment benefits	35,862	21,287	14,575
Total liabilities	49,477	34,215	15,262
NET POSITION			
Net investment in capital assets	2,352,295	2,366,318	(14,023)
Restricted for:			
Instruction	387,542	193,654	193,888
Operations and maintenance	19,026	16,015	3,011
Student transportation	133,509	138,636	(5,127)
Food services	1,123	11,622	(10,499)
Compensated absences	822	820	2
Retirement	69,931	60,446	9,485
Capital projects	329,160	47,108	282,052
Unrestricted	402,393	826,536	(424,143)
Total net position	\$ 3,695,801	\$ 3,661,155	\$ 34,646

continued

**North Star School Districts 99M**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

*July 01, 2013 - June 30, 2014*

REVENUES	2014	2013	Change
Program Revenues:			
Charges for services	\$ 66,583	\$ 73,448	\$ (6,865)
Operating grants	250,044	242,681	7,363
General Revenues:			
Property taxes	1,196,825	1,107,416	89,409
Local sources	3,991	87,913	(83,922)
County sources	203,336	77,056	126,280
State sources	1,012,965	1,042,024	(29,059)
Federal sources	18,216	4,683	13,533
Investment earnings	2,067	2,349	(282)
Business-type activity (swimming pool)	6,535	4,946	1,589
<b>Total Revenues</b>	<b>2,760,562</b>	<b>2,642,516</b>	<b>118,046</b>
<b>PROGRAM EXPENSES</b>			
Instruction	1,172,130	1,118,691	53,439
Student support services	40,582	15,466	25,116
Instructional support services	52,329	60,090	(7,761)
General administration	175,069	187,298	(12,229)
School administration	74,628	84,872	(10,244)
Business services	58,732	55,795	2,937
Operations and maintenance	461,719	406,033	55,686
Student transportation	320,318	296,902	23,416
Food service	203,823	193,992	9,831
Extracurricular activities	79,363	74,001	5,362
Other enterprise services	5,290	4,004	1,286
Unallocated depreciation	69,570	70,487	(917)
Business-type activity (swimming pool)	10,408	6,056	4,352
<b>Total Expenses</b>	<b>2,723,961</b>	<b>2,573,687</b>	<b>150,274</b>
Gain (loss) on sale of assets	(1,955)	2,020	(3,975)
<b>Change in net position</b>	<b>\$ 34,646</b>	<b>\$ 70,849</b>	<b>\$ (36,203)</b>

**Budget-to-actual comparisons**

The budgetary comparison schedules (pages 32 through 33) show, by individual fund, how actual expenditures compared to budgeted general fund expenditures and any variances. It was not necessary to amend any budget during the previous year. Only those funds that have a 10% or greater variance are addressed.

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## North Star School Districts 99M

# MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

*July 01, 2013 - June 30, 2014*

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### **Analysis of the Districts' Overall Financial Position/Highlights**

North Star Schools continue to maintain enrollment figures with no significant increase or decrease in enrollment. Projected enrollment thru the 2017-18 school years is anticipated to remain steady which will hopefully bring stability to the district budgets.

Due to Senate Bill 329 the North Star School District entered into a Multidistrict Agreement between the Elementary and High School Districts. The District was again able to transfer \$47,806.19 into a Fund 82 and these monies will be used for utilities, supplies/books, salaries and technology equipment.

North Star Schools purchased I-Pads for students in grades 7 and 8. This expands the district usage of I-pads throughout the Jr. High School. Technology monies set aside in Fund 82 have helped with the purchase of extra I-Pads, e-books, and other expenses related to the usage of I-Pads.

North Star Schools implemented a new math curriculum in grades K-12. This new curriculum is in line with the new common core standards.

Updates were performed at both sites included a security key fob system for entrance into both buildings. New carpet installed in the Jr/HS Music Room and new flooring installed throughout the kitchen area in Rudyard.

Major construction started in the 2013-2014 school year and to be completed in the fall of 2014 is a Bus Barn located at the Rudyard site.

The district is also committed to building a breezeway between the shop and gym at the Rudyard site and looking into what can be done to enclose the elementary building to the shop located at the Gildford site.

### **Significant Variations between Original and Final Budgets**

There were no significant variations between the original and final budget amounts and actual budget results for the General Funds and High School Technology. The value of a mill is set after school budgets are voted; this adjustment accounts for any minor variations in budgeted amounts versus actual amounts.

### **Significant Capital Asset and Long-term Debt Activity**

The Districts have not entered into any short or long term debt commitments, including capital expenditures. There are no borrowed funds. The only long-term debt is for future obligations for unpaid leave and/or compensated absences and the accrued liability for other post-employment benefit obligations required to be recorded under GASB 45.

If you have any questions or concerns please contact North Star School Administration, P.O. Box 129, Rudyard, MT 59540, (406) 355-4481.

**North Star School Districts 99M**

**DISTRICT-WIDE STATEMENT OF NET POSITION**

*as of June 30, 2014*

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,339,787	\$ 12,703	\$ 1,352,490
Property taxes receivables	36,345	-	36,345
Due from other governments	4,148	-	4,148
Capital Assets, net of accumulated depreciation	2,332,611	19,684	2,352,295
Total assets	<u>3,712,891</u>	<u>32,387</u>	<u>3,745,278</u>
<b>LIABILITIES</b>			
Advances from grantors	1,148	-	1,148
Compensated absences	12,467	-	12,467
Other post employment benefits	35,862	-	35,862
Total liabilities	<u>49,477</u>	<u>-</u>	<u>49,477</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,332,611	19,684	2,352,295
Restricted for:			
Instruction	387,542	-	387,542
Operations and maintenance	19,026	-	19,026
Student transportation	133,509	-	133,509
Food services	1,123	-	1,123
Compensated absences	822	-	822
Retirement	69,931	-	69,931
Capital projects	329,160	-	329,160
Unrestricted	389,690	12,703	402,393
Total net position	<u>\$ 3,663,414</u>	<u>\$ 32,387</u>	<u>\$ 3,695,801</u>

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

**North Star School Districts 99M**

**DISTRICT-WIDE STATEMENT OF ACTIVITIES**

*for the year ended June 30, 2014*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 1,172,130	\$ 1,706	\$ 110,001	\$ (1,060,423)	-	\$ (1,060,423)
Student support services	40,582	-	-	(40,582)	-	(40,582)
Instructional support services	52,329	-	-	(52,329)	-	(52,329)
General administration	175,069	-	-	(175,069)	-	(175,069)
School administration	74,628	-	-	(74,628)	-	(74,628)
Business services	58,732	-	-	(58,732)	-	(58,732)
Operations and maintenance	461,719	24,836	-	(436,883)	-	(436,883)
Student transportation	320,318	-	90,008	(230,310)	-	(230,310)
Food services	203,823	40,041	50,035	(113,747)	-	(113,747)
Extracurricular activities	79,363	-	-	(79,363)	-	(79,363)
Other enterprise services	5,290	-	-	(5,290)	-	(5,290)
Depreciation - Unallocated	69,570	-	-	(69,570)	-	(69,570)
Total governmental activities	<u>2,713,553</u>	<u>66,583</u>	<u>250,044</u>	<u>(2,396,926)</u>	<u>-</u>	<u>(2,396,926)</u>
<b>BUSINESS-TYPE ACTIVITY</b>						
Swimming pool	10,408	6,535	-	-	\$ (3,873)	(3,873)
Total business-type activities	<u>10,408</u>	<u>6,535</u>	<u>-</u>	<u>-</u>	<u>(3,873)</u>	<u>(3,873)</u>
Total primary government	<u>\$ 2,723,961</u>	<u>\$ 73,118</u>	<u>\$ 250,044</u>	<u>(2,396,926)</u>	<u>(3,873)</u>	<u>(2,400,799)</u>
<b>GENERAL REVENUES</b>						
Property taxes				1,196,825	-	1,196,825
Local sources				3,991	-	3,991
County sources				203,336	-	203,336
State sources				1,012,965	-	1,012,965
Federal sources				18,216	-	18,216
Investment earnings				2,051	16	2,067
Subtotal, general revenues				<u>2,437,384</u>	<u>16</u>	<u>2,437,400</u>
Excess (deficiency) of revenues over expenses before special items				40,458	(3,857)	36,601
<i>Special item - loss on sale of assets</i>				<u>(1,955)</u>	<u>-</u>	<u>(1,955)</u>
Change in net position				38,503	(3,857)	34,646
Net position - beginning				<u>3,624,911</u>	<u>36,244</u>	<u>3,661,155</u>
Net position - ending				<u>\$ 3,663,414</u>	<u>\$ 32,387</u>	<u>\$ 3,695,801</u>

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

**North Star School Districts 99M**

**GOVERNMENTAL FUNDS BALANCE SHEET**

*as of June 30, 2014*

	General Fund (including Interlocal Agreement)	Elementary Building Reserve	HS Technology	HS Building Reserve	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 412,259	\$ 215,282	\$ 164,602	\$ 111,898	\$ 435,746	\$ 1,339,787
Taxes receivable, net	25,760	1,014	765	966	7,840	36,345
Receivable from other governments	-	-	-	-	4,148	4,148
Total assets	<u>\$ 438,019</u>	<u>\$ 216,296</u>	<u>\$ 165,367</u>	<u>112,864</u>	<u>\$ 447,734</u>	<u>\$ 1,380,280</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Advances from grantors	\$ -	\$ -	\$ -	\$ -	\$ 1,148	\$ 1,148
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,148</u>	<u>1,148</u>
<b>Deferred inflows of resources:</b>						
Unearned tax revenues	25,760	1,014	765	966	7,840	36,345
Total deferred inflows of resources	<u>25,760</u>	<u>1,014</u>	<u>765</u>	<u>966</u>	<u>7,840</u>	<u>36,345</u>
<b>Fund balances:</b>						
<b>Restricted for:</b>						
Instruction	-	-	164,602	-	221,727	386,329
Operations and maintenance	-	-	-	-	19,026	19,026
Student transportation	-	-	-	-	126,117	126,117
Food services	-	-	-	-	1,123	1,123
Compensated absences	-	-	-	-	822	822
Retirement	-	-	-	-	69,931	69,931
Capital projects	-	215,282	-	111,898	-	327,180
Unassigned	412,259	-	-	-	-	412,259
Total fund balances	<u>412,259</u>	<u>215,282</u>	<u>164,602</u>	<u>111,898</u>	<u>438,746</u>	<u>1,342,787</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 438,019</u>	<u>\$ 216,296</u>	<u>\$ 165,367</u>	<u>\$ 112,864</u>	<u>\$ 447,734</u>	<u>\$ 1,380,280</u>

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

North Star School Districts 99M

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
DISTRICT-WIDE STATEMENT OF NET POSITION  
*as of June 30, 2014*

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Total governmental funds fund balance	\$ 1,342,787
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements. Total cost of capital assets not reported above net of accumulated depreciation of \$3,959,346.	2,332,611
Property taxes receivable were assessed this year, but are not available to meet current obligations, and therefore are unearned in the funds.	36,345
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences of \$12,467 and other post employment benefits obligation of \$35,862.	<u>(48,329)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 3,663,414</u></u>

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

**North Star School Districts 99M**

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

*as of June 30, 2014*

	General Fund (including Interlocal Agreement)	Elementary Building Reserve	HS Technology	HS Building Reserve	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 830,435	\$ 29,545	\$ 23,566	\$ 29,636	\$ 281,563	\$ 1,194,745
Other local sources	-	35	-	-	66,583	66,618
County sources	-	-	-	-	248,340	248,340
State sources	952,965	-	1,434	-	132,408	1,086,807
Federal sources	-	-	-	-	149,414	149,414
Investment earnings	675	335	261	199	579	2,049
Other revenue	540	-	900	-	2,516	3,956
Total revenues	<u>1,784,615</u>	<u>29,915</u>	<u>26,161</u>	<u>29,835</u>	<u>881,403</u>	<u>2,751,929</u>
<b>EXPENDITURES</b>						
Instruction	912,817	-	7,135	-	228,741	1,148,693
Student support services	-	-	-	-	40,582	40,582
Instructional support services	46,086	-	-	-	6,243	52,329
General administration	125,728	-	-	-	47,233	172,961
School administration	66,763	-	-	-	7,865	74,628
Business services	32,516	-	-	-	26,216	58,732
Operations and maintenance	354,908	656	-	735	37,355	393,654
Student transportation	33,734	-	-	-	233,163	266,897
Food services	99,524	-	-	-	103,664	203,188
Extracurricular activities	72,216	-	-	-	7,147	79,363
Other enterprise services	5,505	-	-	-	628	6,133
Capital outlay	81,906	1,500	-	39,700	69,080	192,186
Total expenditures	<u>1,831,703</u>	<u>2,156</u>	<u>7,135</u>	<u>40,435</u>	<u>807,917</u>	<u>2,689,346</u>
Excess (deficiency) of revenues over expenditures	<u>(47,088)</u>	<u>27,759</u>	<u>19,026</u>	<u>(10,600)</u>	<u>73,486</u>	<u>62,583</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from the sale of capital assets	245	-	50	-	-	295
Transfers in (out)	47,806	-	-	-	(47,806)	-
Total other financing sources and uses	<u>48,051</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>(47,806)</u>	<u>295</u>
Net change in fund balances	963	27,759	19,076	(10,600)	25,680	62,878
Fund balance, beginning	411,296	187,523	145,526	122,498	413,066	1,279,909
Prior period adjustment	-	-	-	-	-	-
Fund balance, as restated	<u>411,296</u>	<u>187,523</u>	<u>145,526</u>	<u>122,498</u>	<u>413,066</u>	<u>1,279,909</u>
Fund balances, ending	<u>\$ 412,259</u>	<u>\$ 215,282</u>	<u>\$ 164,602</u>	<u>\$ 111,898</u>	<u>\$ 438,746</u>	<u>\$ 1,342,787</u>

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

**North Star School Districts 99M**

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

*as of June 30, 2014*

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Total governmental funds change in fund balance	\$	62,878
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$200,663 is less than capital outlays of \$192,186 in the current period. (8,477)

Governmental funds report the entire sales proceeds of \$295 from sale of assets as revenue because it provides current financial resources. In contrast, the Statement of Activities reports the loss of \$1,955 on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the basis of the assets sold. (2,250)

Some property taxes will not be collected for several months after the Districts' fiscal year ends and, therefore, are not considered as "available" revenues in the governmental funds, and are instead reported as unearned tax revenues. They are, however, recorded as revenues in the District-Wide Statement of Activities. 2,080

In the statement of activities, certain operating expenses including compensated absences (vacations and sick leave) and other post employment benefits (retiree health insurance) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation and sick leave used was less than amounts earned by \$1,153 and other post employment benefits obligations accrual increased by \$14,575. (15,728)

Change in net position of governmental activities	\$	<u><u>38,503</u></u>
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The accompanying notes are an integral part of these financial statements.

North Star School Districts 99M

STATEMENT OF NET POSITION- PROPRIETARY FUNDS

as of June 30, 2014

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	<u>Other Enterprise Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,703
Capital assets, net of accumulated depreciation	<u>19,684</u>
Total assets	<u><u>\$ 32,387</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 19,684
Unrestricted	<u>12,703</u>
Total net position	<u><u>\$ 32,387</u></u>

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

North Star School Districts 99M

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-  
PROPRIETARY FUNDS  
*for the year ended June 30, 2014*

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	<u>Other Enterprise Funds</u>
REVENUES	
Charges for services	\$ 6,535
Total Operating Revenues	<u>6,535</u>
OPERATING EXPENSES	
Personal services	3,618
Depreciation	3,296
Total Operating Expenses	<u>10,408</u>
Operating loss	(3,873)
NON-OPERATING REVENUES	
Interest income	16
Total non-operating revenue (expenses)	<u>16</u>
Change in net position	(3,857)
Net position - beginning	<u>36,244</u>
Net position - ending	<u>\$ 32,387</u>

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

**North Star School Districts 99M**

**STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS**  
*for the year ended June 30, 2014*

	<u>Other Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATIONS</b>	
Cash received from customers	\$ 6,535
Cash paid for:	
Personal services	<u>(3,618)</u>
Net cash used by operating activities	<u>(577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>16</u>
Net cash provided by investing activities	<u>16</u>
Net decrease in cash	(561)
Cash balance, July 1, 2013	<u>13,264</u>
Cash balance, June 30, 2014	<u><u>\$ 12,703</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY  
OPERATING ACTIVITIES**

Operating loss	\$ (3,873)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	<u>3,296</u>
Net cash used by operating activities	<u><u>\$ (577)</u></u>

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

**North Star School Districts 99M**

**STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN  
FIDUCIARY NET POSITION**  
*as of and for the year ended June 30, 2014*

**STATEMENT OF FIDUCIARY NET POSITION**

	<u>Private- Purpose Trust Funds</u>
<b>ASSETS</b>	
Cash	\$ 74,066
Total assets	<u>\$ 74,066</u>
 <b>NET POSITION</b>	
Held in trust for student activities	<u>\$ 74,066</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<u>Private- Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Revenue from student activities	<u>\$ 175,311</u>
Total additions	175,311
 <b>DEDUCTIONS</b>	
Expenses for student activities	<u>178,820</u>
Total deductions	<u>178,820</u>
Change in Net Position Held in Trust	(3,509)
Net Position, Beginning of Year	<u>77,575</u>
Net Position, End of Year	<u>\$ 74,066</u>

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

## North Star School Districts 99M

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Star School Districts 99M (the Districts) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Districts' significant accounting policies are described below:

1. Reporting entity. The Districts are located in Hill County. The Districts operate under a publicly elected Board of Trustees, which has financial accountability and control over all activities related to public school education in the Districts. The Districts receive funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the Districts are financially accountable. The Districts have also considered all other potential organizations for which the nature and significance of their relationships with the Districts are such that exclusion would cause the Districts' financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and (1) the ability of the Districts to impose their will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Districts. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

Hill County provides substantial services to the Districts; tax billings, cash collections, and warrant redemption all flow through the office of the County Treasurer. This office also maintains the Districts' cash and invests funds at the direction of the Districts. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the Districts, as directed by the Board of Trustees. Despite the degree of services rendered, the Districts do not meet the criteria set forth in the preceding paragraph to be considered a component unit of the County nor any other entity.

The Districts function in a fiduciary capacity relating to the Student Extracurricular Funds, reflected herein as a Private-Purpose Trust Fund.

2. District-wide financial statements. The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Districts. For the most part, the effect of material inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for support.

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

3. Fund financial statements. The Districts use funds to report on its financial position and results of its operations. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth criteria (percentage of assets, liabilities, revenues or expenditures/expenses

continued

North Star School Districts 99M

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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**NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

3. Fund financial statements, continued. of either fund category) for the determination of major funds.
4. Fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Accounts of the Districts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is then divided into separate fund types as follows:

Governmental Funds: Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they are paid. The difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is on the sources, uses, and balance of current financial resources. Governmental fund types are those funds through which most governmental functions typically are financed and consist of the general fund, special revenue funds, debt service funds, and capital projects funds.

The following comprise the Districts' major governmental funds:

General Fund is the general operating fund of the Districts and is authorized by section 20-9-301, MCA, for the purpose of financing general maintenance and operational costs of a district not financed by other funds. The Districts utilize an inter-local agreement fund which functions as a purchasing pool between the elementary and high school districts, this fund does not meet the criteria for separate reporting and is combined with the General Fund in the fund financial statements.

Elementary Building Reserve Fund is a capital projects fund authorized by section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies for the elementary district.

High School Technology Fund is a special revenue fund authorized by section 20-9-533, MCA to purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel.

High School Building Reserve Fund is a capital projects fund authorized by section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies for the high school district.

Proprietary Funds: Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. Proprietary funds consist of a non-major enterprise fund used to account for the activities of the swimming pool; there are no major enterprise funds.

Fiduciary Funds: Fiduciary funds are used to account for assets held in a trustee capacity or as an agent for others and are, therefore, not available to support programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to businesses in the private sector. Fiduciary funds consist of private-purpose trust funds, pension trust funds, investment trust funds, and agency funds. The only fund of this type is the Student Extracurricular Fund, used to account for various student activities and is reported as a private-purpose trust fund.

continued

## North Star School Districts 99M

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

5. Measurement focus and basis of accounting. The financial statements of the Districts are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Districts' reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, while grants and similar items are recognized as revenue upon grantor eligibility requirements being met. Generally, the effect of material inter-fund activity has been removed.

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

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

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

6. Cash and pooled cash investments. The Hill County Treasurer holds all cash, except for the student activity checking account. Information regarding the cash of the Districts being insured and collateralized may be obtained from the Hill County financial statements.

State Statutes authorize the Districts to invest in direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state, in a repurchase agreement, or Montana short-term investment pool (STIP). Interest income received as a result of pooling is distributed to

continued

North Star School Districts 99M

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

- 6. Cash and pooled cash investments, continued. the appropriate Districts utilizing a formula based on the respective Districts previous month’s ending balance of cash and cash equivalents.

The Districts issue warrants in payment of their obligations. When the warrants are presented to the County Treasurer, the Districts’ cash balance is reduced to pay the warrant.

- 7. Property taxes receivable. Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. The current tax receivable represents the levy based on the assessed valuations as of January 1 for all real property located in the Districts. Taxes are normally billed in October and are payable in two installments on November 30 and May 30. The County Treasurer maintains, bills, and collects property taxes for the Districts; the Districts record such cash receipts when reported by the County Treasurer.

Property taxes receivable at June 30, 2014, consist primarily of delinquent property taxes from prior years’ levies and are offset by unearned tax revenues in the fund financial statements. The Districts do not record an allowance for uncollectible taxes because it is considered to be immaterial.

- 8. Capital assets. Capital assets, including land, buildings, improvements, and equipment assets, are reported in the district-wide financial statements. Capital assets are defined by the Districts as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during construction is not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, improvements, and equipment assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings	50-60
Equipment	5-25

- 9. Compensated absences. The Districts’ employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability only if they have matured, for example, as a result of employee retirements and resignations.

The Districts, in accordance with State Law (MCA 20-9-512), can appropriate end-of-year General Fund balance and establish a Compensated Absence Liability Fund through an operating transfer from the General Fund. The purpose of this fund is to pay any accumulated sick leave and vacation leave that a non-teaching or administrative employee is entitled to upon termination of employment.

Such reserve (Compensated Absence Liability Special Revenue Fund) may be used only for the purpose stated above and may not exceed 30% of the Districts recorded liability for accumulated sick leave, and 30% of accumulated vacation leave for non-teaching or administrative employees as of June 30, 2014. Accordingly, the total Compensated Absence Liability Fund balance is restricted.

- 10. Long-term obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial

continued

## North Star School Districts 99M

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

10. Long-term obligations, continued. resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the district-wide financial statements.
11. Deferred inflows of resources. In addition to liabilities, the governmental funds balance sheet may report a separate section for deferred inflows of resources. This is a separate financial statement element representing an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. Unavailable tax revenue is the only item the Districts have of this type. Accordingly, unavailable tax revenue, which only arises under the modified accrual basis of accounting, is reported as deferred inflows of resources on the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.
12. Fund balances. The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In the governmental fund financial statements, fund balances are reported in five classifications:

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

Restricted: Amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed: Amounts that can be used only for the specific purposes determined by a resolution (formal action) of the School Districts' Board of Trustees (the Districts' highest level of decision-making authority) and does not lapse at year end.

Assigned: Amounts intended to be used by the government for specific purposes, under the direction of the District Clerk by authority granted by the Board of Trustees, but do not meet the criteria to be classified as restricted or committed.

Unassigned: The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

It is the Districts' policy, for purposes of fund balance classification, when restricted, committed, assigned or unassigned funds are available, the expenditure will first be made from restricted, then from committed, then from assigned and lastly from unassigned fund balances

Net position. Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in net investment in capital assets. Net position is reported as restricted when there are limitations imposed on the use of assets either through enabling legislation adopted by the Districts or through external restrictions imposed by creditors, grantors, laws or regulations of other governments reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition

continued

North Star School Districts 99M

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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**NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued**

13. Net position, continued. of a liability, if the liability will be liquidated with the restricted assets reported. The Districts' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
13. Risk management. The Districts are exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) workers' compensation (e.g. employee injuries), (6) and medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Given the lack of coverage available, the Districts have no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The Districts are participants in the Montana Schools Group Insurance Authority (MSGIA), Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of schools and educational cooperatives located within the State of Montana. The Districts pay premiums on an experience-rated basis calculated actuarially to spread and moderate the costs of claims loss to each member of the pool. If the MSGIA experiences an unusually large number of losses under the workers' compensation programs during a policy year, such that notwithstanding reinsurance coverage for large individual losses, the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Trustees may, upon consultation with an actuary, impose premium surcharges on all participating entities, which, in total amount, will assure adequate funds to the MSGIA for the payment of all such losses.

The Districts are also participants in the Montana Schools Unemployment Insurance Program (MSUIP), sponsored by the Montana School Boards Association and the Montana Association of School Business Officials, for the benefit of schools and cooperatives located within the State of Montana. The program was created pursuant to the Montana Interlocal Cooperation Act by execution of an Interlocal Agreement. The program is responsible for reimbursing the Department of Labor for all valid unemployment benefit claims of the member school districts. Each member of the program is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program.

14. Operating income - Proprietary Funds. The Statement of Revenues, Expenses and Changes in Nets Position - Proprietary Funds includes operating income. Changes in net position which are excluded from operating income include interest income and capital contributions.
15. Cash and cash equivalents - Proprietary Funds. For purposes of reporting the Statement of Cash Flows - Proprietary Funds, the Districts consider all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
16. Management estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires the Districts to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Significant estimates

continued

**North Star School Districts 99M**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued**

17. Management estimates, continued. include the actuarial assumptions made in determining the other post-employment liability recorded under GASB 45 and the estimated useful lives of capital assets. Actual results could vary from the estimates that were used.

**NOTE B CASH AND INVESTMENTS**

Student Extracurricular Trust funds are deposited with a local banking institution in an interest bearing checking account. At June 30, 2014, the carrying amount of the Districts' bank deposits for the fund was \$74,066, and the bank balance was \$75,525. The bank balance was insured by the FDIC up to \$250,000.

The Districts utilize claims and payroll warrants clearing funds for outstanding warrants which are not reported on the financial statements due to having a zero net balance. The cash balance in these funds at June 30, 2014 was \$97,048.

**NOTE C PROPERTY TAXES**

The Districts' real property tax is levied on the assessed value listed as of January 1 for all real property located in the Districts. Assessed value is established by the State Department of Revenue based on market value. A reevaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of assessed value. School Districts are permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The taxes levied by the Districts for the year ended June 30, 2014, were within the legal limits.

The tax levies for the fiscal year ending June 30, 2014 were based on the taxable values of \$8,230,563 for the Elementary District and \$8,668,865 for the High School District. All property taxes are recognized in compliance with GASB Interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**NOTE D CAPITAL ASSETS**

Capital assets balances and activity for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Land improvements	\$ 270,653	\$ -	\$ -	\$ 270,653
Buildings & improvements	5,123,519	106,396	-	5,229,915
Machinery & equipment	731,699	26,300	26,100	731,899
Construction in progress	-	59,490	-	59,490
Totals at historical cost	<u>6,125,871</u>	<u>192,186</u>	<u>26,100</u>	<u>6,291,957</u>
Less accumulated depreciation:				
Land improvements	44,966	3,541	-	48,507
Buildings & improvements	3,308,775	130,838	-	3,439,613
Machinery & equipment	428,792	66,284	23,850	471,226
Total accumulated depreciation	<u>3,782,533</u>	<u>200,663</u>	<u>23,850</u>	<u>3,959,346</u>
Capital Assets, Net	2,343,338	(8,477)	2,250	2,332,611

continued

**North Star School Districts 99M**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE D CAPITAL ASSETS, continued**

Business-type Activities				
Land improvements	21,500	-	-	21,500
Buildings & improvements	64,039	-	-	64,039
Totals at historical cost	<u>85,539</u>	<u>-</u>	<u>-</u>	<u>85,539</u>
Less accumulated depreciation:				
Land improvements	8,242	1,150	-	9,392
Buildings & improvements	54,317	2,146	-	56,463
Total accumulated depreciation	<u>62,559</u>	<u>3,296</u>	<u>-</u>	<u>65,855</u>
Capital Assets, Net	<u>22,980</u>	<u>(3,296)</u>	<u>-</u>	<u>19,684</u>
Total Capital Assets, Net	<u>\$ 2,366,318</u>	<u>\$ (11,773)</u>	<u>\$ 2,250</u>	<u>\$ 2,352,295</u>

Depreciation expense was charged as follows:

Governmental Activities		
Instruction		\$ 7,860
General administration		2,108
Operations and maintenance		67,069
Student transportation		53,421
Food services		635
Depreciation - Unallocated		<u>69,570</u>
		200,663
Business-type Activities		
Depreciation - Unallocated		<u>3,296</u>
		<u>3,296</u>
Total Depreciation		<u>\$ 203,959</u>

**NOTE E NON-CURRENT LIABILITIES**

Non-Current liability balances and activity for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Compensated absences	<u>\$ 11,314</u>	<u>\$ 1,153</u>	<u>\$ -</u>	<u>\$ 12,467</u>
Other post employment benefits	<u>\$ 21,287</u>	<u>\$ 14,575</u>	<u>\$ -</u>	<u>\$ 35,862</u>

The accumulated compensated absences liabilities will be liquidated by several of the governmental funds. The current portion of compensated absences has not been separately stated due to the indeterminate nature of the liability. Employees are allowed to accrue compensated absences indefinitely, subject to dollar limits set by state statute, and use it at their discretion.

## North Star School Districts 99M

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### **NOTE F RETIREMENT AND PENSION PLANS**

The Districts participate in two multiple employer cost-sharing, defined benefit retirement plans, which cover all employees. The Teachers' Retirement System covers teaching employees, including principals and superintendents. The Public Employees' Retirement System covers non-teaching employees. The plans are established by state law and are administered by the Department of Administration of the State of Montana.

##### Teachers' Retirement System (TRS)

TRS is a statewide retirement plan established by the State of Montana in 1937 and governed by Title 19, Chapter 20 of the Montana Code Annotated, providing retirement services to all persons in Montana employed as teachers or professional staff of any public elementary or secondary school, college of technology or unit of the university system. TRS is a mandatory multiple-employer, cost-sharing plan administered by the Teachers' Retirement Board.

TRS provides retirement benefits and death and disability benefits. Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to 1/60 times creditable service years times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire between the ages 50 and 60 and receive reduced retirement benefits.

Funding is provided by participating units of government and their employees. The Districts' contribution to this plan for the year ended June 30, 2014 was \$73,468 (8.47% of payroll). As part of the TRS funding policy, the State of Montana contributes 2.49% of TRS employees' monthly compensation, which is considered an "on behalf" payment. These payments amounted to \$21,598 for the year ended June 30, 2014, which was not recorded by the Districts. The Districts' contribution represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$70,692 (8.15% of payroll). Total payroll for teaching employees was \$867,392. One hundred percent of the required contributions were made for 2012, 2013, and 2014, totaling \$136,257, \$134,945, and \$144,160 respectively.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from TRS, 1500 E. Sixth Avenue, PO Box 200139, Helena, MT 59620-0139, (406) 444-3134.

##### Public Employees' Retirement System (PERS)

PERS is a statewide retirement plan established in 1945 and governed by Title 19, chapters 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Member's rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

Funding is provided by participating units of government and their employees. The Districts' contribution to this plan for the year ended June 30, 2014 was \$20,873 (7.80% of payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation, which is considered to be an "on-behalf" payment. These payments amounted to \$990 for the year ended June 30, 2014, which was not recorded by the Districts. Although not a significant amount, the contribution is part of the PERS funding policy. The Districts' contribution represented less

continued

## North Star School Districts 99M

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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#### **NOTE F RETIREMENT AND PENSION PLANS, continued**

than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$21,141 (7.90% of payroll). Total payroll for employees covered by PERS was \$267,607. One hundred percent of required contributions were made for 2012, 2013, and 2014 totaling \$31,205, \$36,717, and \$42,014, respectively.

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year-end. It is available from the PERD at 100 N Park Avenue, Suite 220, PO Box 200131, Helena, MT 59620-0131, (406) 444-3154.

#### **NOTE G POST EMPLOYMENT HEALTH PLAN**

The Districts provides continuation of medical coverage to its retiring employees. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the Districts' health insurance as a retiree until age 65 or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined dependent upon the hire date of the employee, with a minimum requirement of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the Districts' active employees. The Districts do not contribute to the health insurance premiums for retirees. Other postemployment benefits arises from the difference in the Districts' medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Districts have calculated and reported a postemployment benefit liability.

Plan Description. The Districts' Employee Group Benefit Plan is a single employer defined benefit healthcare plan administered by Montana Schools Health & Welfare Plans (MSHWP). MSHWP provides medical and prescription drug insurance benefits along with dental and vision insurance benefits to eligible retirees and their eligible dependents.

Funding Policy. The contribution requirement of plan members is established by the Districts' insurance committee in conjunction with its insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the Districts contributed approximately \$27,380 in additional premiums for current employees as a result of having the retirees on the plan. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage.

Annual OPEB Cost and Net OPEB Obligation. The Districts' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Districts have elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Districts' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' net OPEB obligation to Districts' Post-Retirement Healthcare Plan:

continued

**North Star School Districts 99M**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

**NOTE G POST EMPLOYMENT HEALTH PLAN, continued**

Annual required contribution	\$ 49,912
Interest on net OPEB obligation	21,885
Adjusted to annual required contribution	<u>(22,885)</u>
Annual OPEB cost (expense)	48,912
Contributions made	<u>(34,337)</u>
Increase in net OPEB obligation	14,575
Net OPEB obligation - beginning of year	<u>21,287</u>
Net OPEB obligation - end of year	<u><u>35,862</u></u>

The three year disclosure of the Districts' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is shown in the table below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOE)</u>	<u>Estimated Contribution as a Percentage of AOE*</u>	<u>Net OPEB Obligation at End of Year**</u>
6/30/2012	\$ 26,403	111.6%	\$ 93,746
6/30/2013	\$ 50,105	54.6%	\$ 21,287
6/30/2014	\$ 48,912	70.2%	\$ 35,862

\* Equals estimated actual incurred claims plus administration less retiree contributions as a percentage of AOE.

\*\* Equals prior year Net OPEB obligation plus current year AOE less estimated current year contributions.

**Funded Status and Funding Progress.** As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$458,893. The Districts' plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$1,159,833 and the ratio of the UAAL to the covered payroll was 22.7%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.25% discount rate assuming the Districts will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 45% of future retirees will elect medical coverage. The annual healthcare cost trend

continued

**North Star School Districts 99M**

**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2014*

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**NOTE G POST EMPLOYMENT HEALTH PLAN, continued**

rate of 10.0% for medical, decreasing approximately .5% per year until reaching an ultimate rate of 5.0%. It was assumed salary increases will be 2.5% annum. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

**NOTE H NONMONETARY TRANSACTIONS**

The Districts received \$5,547 in USDA Commodities during the fiscal year ended June 30, 2014. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the Districts were treated as revenue and expense of the fund receiving the commodities.

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REQUIRED SUPPLEMENTAL INFORMATION

**North Star School Districts 99M**

**BUDGETARY COMPARISON SCHEDULE**

*for the year ended June 30, 2014*

**GENERAL FUND**

	Original and Final Budgeted Amounts	Actual Amounts	Variances
<b>REVENUES</b>			
Property taxes	\$ 842,115	\$ 830,435	\$ (11,680)
State sources	947,720	952,965	5,245
Investment earnings	389	426	37
Other revenue	300	-	(300)
Total revenues	<u>1,790,524</u>	<u>1,783,826</u>	<u>(6,698)</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	832,158	873,864	41,706
Instructional support services	48,256	46,086	(2,170)
General administration	140,950	125,728	(15,222)
School administration	77,687	66,763	(10,924)
Business services	32,773	32,516	(257)
Operations and Maintenance	354,222	354,908	686
Student transportation	27,459	33,734	6,275
Food services	84,399	99,524	15,125
Extracurricular activities	77,556	72,216	(5,340)
Other enterprise services	5,209	5,505	296
Capital Outlay	-	81,906	81,906
Total Expenditures	<u>1,680,669</u>	<u>1,792,750</u>	<u>112,081</u>
Excess (deficiency) of revenues over expenditures	<u>109,855</u>	<u>(8,924)</u>	<u>(118,779)</u>
 Net change in fund balances	 <u>\$ 109,855</u>	 (8,924)	 <u>\$ (118,779)</u>
Fund balance, beginning (general fund only)		<u>239,068</u>	
Fund balances, ending		230,144	
Inter-local Agreement Fund Balance		<u>182,115</u>	
Total non-budgeted fund balances, reported in general fund		182,115	
Total reported in general fund		<u>\$ 412,259</u>	

continued

**North Star School Districts 99M**

**BUDGETARY COMPARISON SCHEDULE**

*for the year ended June 30, 2014*

**HS TECHNOLOGY**

	Original and Final Budgeted Amounts	Actual Amounts	Variances
<b>REVENUES</b>			
Property taxes	\$ 23,887	\$ 23,566	\$ (321)
State sources	1,454	1,434	(20)
Investment earnings	-	261	261
Other revenue	-	900	900
Total revenues	<u>25,341</u>	<u>26,161</u>	<u>820</u>
<b>EXPENDITURES</b>			
Instruction	<u>170,847</u>	<u>7,135</u>	<u>(163,712)</u>
Total Expenditures	<u>170,847</u>	<u>7,135</u>	<u>(163,712)</u>
Excess (deficiency) of revenues over expenditures	<u>(145,506)</u>	<u>19,026</u>	<u>164,532</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of capital assets	<u>-</u>	<u>50</u>	<u>50</u>
Total other financing sources and uses	<u>-</u>	<u>50</u>	<u>50</u>
Net change in fund balances	<u>\$ (145,506)</u>	19,076	<u>\$ 164,582</u>
Fund balance, beginning		<u>145,526</u>	
Fund balances, ending		<u>\$ 164,602</u>	

concluded

North Star School Districts 99M

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2014

**NOTE A BUDGETED FUNDS**

State Law requires that North Star School Districts 99M (the Districts) adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
General	x	
Special Revenue:		
Transportation	x	
Bus Depreciation	x	
Retirement	x	
Adult Education	x	
Technology	x	
Flexibility	x	
Food Services		x
Miscellaneous Programs		x
Traffic Education		x
Lease Rental		x
Compensated Absences		x
Capital Projects:		
Building Reserve	x	
Fiduciary Fund Types		
Student Extracurricular Fund		x

**NOTE B BUDGETARY BASIS**

The Districts' budgets are prepared on the budget basis (modified accrual basis, including encumbrances) of accounting, which results in accounting for certain transactions on a basis other than generally accepted accounting principles (modified accrual). The Districts' accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the Districts' accounting records to reflect the basis of accounting described above. There were no budget amendments so the originally adopted budget and the final budget amounts are the same. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. Results of operations, on the budget basis of accounting, are presented for the general fund and budgeted major special revenue funds in the budgetary comparison schedules, to provide a meaningful comparison of actual results with the budget.

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

On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year-end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded. Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161).

**North Star School Districts 99M**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

*June 30, 2014*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$ -	\$ 227,563	\$ 227,563	0.0%	\$ 1,004,547	22.7%
07/01/12	\$ -	\$ 458,893	\$ 458,893	0.0%	\$ 1,159,833	39.6%
07/01/13	\$ -	\$ 514,931	\$ 514,931	0.0%	\$ 1,201,895	42.8%

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SUPPLEMENTAL INFORMATION

**North Star School Districts 99M**

**SCHEDULE OF REPORTED ENROLLMENT**

*June 30, 2014*

	<u>Per Enrollment Reports</u>	<u>Per Audit of District Records</u>
<b>FALL ENROLLMENT - October, 2013</b>		
<u>Elementary School District:</u>		
K-6:		
Kindergarten	11	11
Grades 1-6	<u>75</u>	<u>75</u>
	86	86
Grades 7-8	<u>24</u>	<u>24</u>
Total	<u><u>110</u></u>	<u><u>110</u></u>
<u>High School District:</u>		
Grades 9-12	<u><u>57</u></u>	<u><u>57</u></u>
<b>WINTER ENROLLMENT - December, 2013</b>		
<u>Elementary School District:</u>		
K-6:		
Kindergarten	12	12
Grades 1-6	<u>77</u>	<u>77</u>
	89	89
Grades 7-8	<u>25</u>	<u>25</u>
Total	<u><u>114</u></u>	<u><u>114</u></u>
<u>High School District:</u>		
Grades 9-12	<u><u>56</u></u>	<u><u>56</u></u>
<b>SPRING ENROLLMENT - February, 2014</b>		
<u>Elementary School District:</u>		
K-6:		
Kindergarten	12	12
Grades 1-6	<u>77</u>	<u>77</u>
	89	89
Grades 7-8	<u>25</u>	<u>25</u>
Total	<u><u>114</u></u>	<u><u>114</u></u>
<u>High School District:</u>		
Grades 9-12	<u><u>56</u></u>	<u><u>56</u></u>

**North Star School Districts 99M**

**EXTRACURRICULAR FUND-SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN NET POSITION**  
*for the year ended June 30, 2014*

	Net Position July 1, 2013	Receipts	Disbursements	Transfers In (Out)	Net Position June 30, 2014
Annual	\$ 5,603	\$ 3,475	\$ 3,076	\$ 127	\$ 6,129
Athletics	8,060	40,567	39,173	-	9,454
BPA	699	3,389	3,935	903	1,056
Class of 2012	180	1	181	-	-
Class of 2014	1,227	172	1,781	382	-
Class of 2015	9,191	865	3,879	(5,240)	937
Class of 2016	5,606	16	-	809	6,431
Class of 2017	4,547	13	-	809	5,369
Class of 2018	2,924	8	-	809	3,741
Class of 2019	920	3	-	809	1,732
Class of 2020	265	551	210	(95)	511
Class of 2021	265	551	210	(95)	511
Class of 2022	-	550	210	(95)	245
Concessions	2,256	26,669	18,872	(8,012)	2,041
FCCLA	1,938	21,174	22,266	1,903	2,749
FCCLA (2)	3,546	570	18	(1,000)	3,098
Heritage trip 2013	646	2	648	-	-
Heritage trip 2014	13,624	46,909	59,443	(44)	1,046
Heritage trip 2015	-	6,778	3,169	6,318	9,927
Music	655	49	213	-	491
National Honor Society	273	1	-	-	274
Pop Fund	3,888	4,187	1,811	(3,727)	2,537
Science	435	3,201	957	-	2,679
Skills USA / VICA	1,409	5,062	10,094	4,630	1,007
Speech and Drama	175	250	220	-	205
Student Council	1,017	1,751	1,303	-	1,465
Student Council - Elementary	3,411	1,704	1,694	-	3,421
Technology	912	2,343	1,020	-	2,235
Theater	3,903	4,500	4,437	809	4,775
	<u>\$ 77,575</u>	<u>\$ 175,311</u>	<u>\$ 178,820</u>	<u>\$ -</u>	<u>\$ 74,066</u>



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

Board of Trustees  
North Star School Districts 99M  
Hill County  
Rudyard, Montana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Star School Districts 99M, Hill County, Rudyard, Montana, (the Districts) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements, and have issued our report thereon dated November 05, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered North Star School Districts 99M'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 Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of Districts' internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Districts' 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.

Havre, MT  
November 05, 2014

North Star School Districts 99M

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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Summary of Auditor's Results

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*Financial Statements*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified?                    \_\_\_\_\_ Yes              X   No
  
- Significant deficiencies identified that are not  
  considered to be material weaknesses?            \_\_\_\_\_ Yes              X   None Reported

Noncompliance material to financial statements noted?    \_\_\_\_\_ Yes              X   No

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Financial Statement Findings

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NONE

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Summary Schedule of Prior Audit Findings

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13-01 CAPITAL EXPENDITURE WAS IMPROPERLY CLASSIFIED AS REPAIRS AND MAINTENANCE  
Resolved.