

WHITE SULPHUR SPRINGS SCHOOL DISTRICT NO. 8

**MEAGHER COUNTY
WHITE SULPHUR SPRINGS, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

White Sulphur Springs School District No. 8
 Meagher County
 White Sulphur Springs, Montana 59645

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White Sulphur Springs School District No. 8
Meagher County
White Sulphur Springs, Montana 59645

ORGANIZATION

BOARD OF TRUSTEES

Mike Syverson	Chair
Joy Ioerger	Vice Chair
J. Chris Rock	Trustee
Bert Williams	Trustee
Nancy Hereim	Trustee
Kim Voldseth	Trustee

OFFICIALS

Andy Lind	Superintendent
Connie L. Davis	District Clerk
Helen Hanson	County Superintendent
Kimberly Deschene	County Attorney

**WHITE SULPHUR SPRINGS PUBLIC SCHOOLS
SCHOOL DISTRICT #8, MEAGHER COUNTY
WHITE SULPHUR SPRINGS, MONTANA 59645**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Larry Markuson, Superintendent and Connie Davis, District Clerk have prepared the following Management's Discussion and Analysis to give the taxpayers and readers of these statements an overview and highlights of the White Sulphur Springs Schools Financial activities for period ending June 30, 2014. The management Discussion and Analysis is an opportunity to relay imperative building concerns and the need for a healthy safe learning environment for staff, students and community members.

Financial Highlights

- During the year, the White Sulphur Springs School's received revenues from taxes and governmental and business-type sources amounting to \$3,150,739.00 with total expenditures being slightly lower at \$2,909,357.00.
- The Boiler replacement project was finalized in December 2014.
- The Board of Trustees voted in 2014 to become a K-12 School District with district boundaries of Meagher County.
- The Board of Trustees determined that the maintenance cost have become extremely prohibiting on White Sulphur Springs aging facilities that they are researching combining the facilities and the projected costs and funding.
- The Board hired CTA Architecture Company to research the costs of maintaining and repairing existing buildings.
- BPA students have once again done extremely well and 7 students are headed to Nationals.

Legal Status and Organization

The White Sulphur Springs School District is the governmental entity established by the State of Montana to plan and direct all aspects of the District's operations. The District is governed by a Board of Trustees consisting of six (6) members. The Elementary Board is comprised of five (5) members, all residents of Elementary School District #8. The High School Board consists of the same five (5) Elementary School Board members plus one (1) member who is a resident of Elementary School District #4. The District is classified as a second class district and is operated according to the laws and regulations applicable to such classification.

The policies of the Board define the organization of the Board and the manner in which official business will be conducted. The Board's powers and duties include the broad authority to adopt and enforce all powers and duties derived from the Montana Constitution, state statutes and regulations.

Philosophy of White Sulphur Springs Schools

The Board, the faculty, the students and community members of District #8, Meagher County, White Sulphur Springs, Montana, believe education is a process of growth and development, whereby each student should develop knowledge, interest, ideals, and habits so that he or she can find and succeed in his or her place in our society. This process shall include a stimulating environment and opportunities for learning experiences according to the student's individual knowledge, skills, and abilities, which will promote satisfactory adjustments to life. This process is designed to promote an attitude of cooperation to achieve the maximum benefit of education. This philosophy should be relevant to our principles of American democracy and will be inclusive of all cultures and backgrounds.

Overview of the Statement of Assets and Activities

White Sulphur Springs School District reports two district-wide statements that focus on operations of the district as a whole. These statements measure input and outflow using an economic resource measurement focus and the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

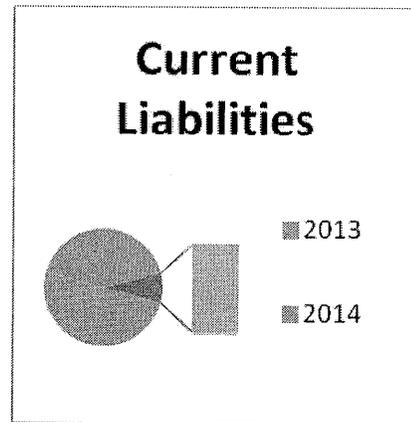
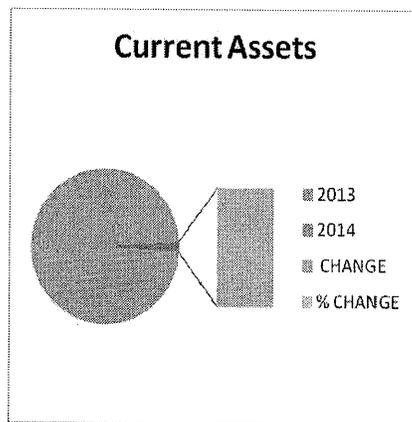
This annual report consists of financial statements for the District with more detailed information for certain District Funds. The Statement of Net Position and the Statement of Activities (pages 13 and 14) provide information about the activities of the District as a whole. Included are capital assets and long-term liabilities.

As shown below, the overall net position for the District increased 9.73% for audit period ending 6/30/2014.

- The increases in current assets of 8.36% were; a) cash and investment of \$824,740.00; b) taxes receivable \$36,591.00; c) due from other government entity \$121,634.00; and d) other current assets remained the same \$53,000.00. A majority of the increases were tied to the Quality School Grant boiler and gym project.

- The net capital assets increased overall by 11.36%. An increase was noted in net investments in Capital Assets of \$44,363.00, restricted assets increase of \$270,341.00 and in unrestricted a decrease of \$75,276.00.
- Current liabilities decreased 9.99% because of reduction in Current Liabilities and Long Term Liabilities which is a reduction in vacation and sick leave obligations.
- At this time, White Sulphur Springs School's has vacation and sick leave liabilities. For certified staff, the liability is \$71,883.63 and the liability for classified staff amounts to \$44,873.29 for a total of \$116,756.92. This is a \$29,330.93 decrease from prior year.
- Currently, the District has \$13,461.72 in sick leave reserve accounts to cover the liability created should a classified staff member choose to retire. According to State Law (20-9-512, MCA 2011) a sick leave reserve account can be established for non-teaching staff or administration and can maintain up to 30% of the accrued sick and vacation leave liability.

NET POSITION	Governmental Activities			
	2013	2014	CHANGE	CHANGE
Current Assets	\$ 982,439	\$ 1,029,695	\$ 47,256	4.81%
Capital Assets, net	<u>1,470,259</u>	<u>1,628,013</u>	<u>157,754</u>	<u>10.73%</u>
Total Assets	2,452,698	2,657,708	205,010	8.36%
Current Liabilities	185,290	153,126	(32,164)	-17.36%
Long Term Liabilities	<u>159,381</u>	<u>157,127</u>	<u>(2,254)</u>	<u>-1.41%</u>
Total Liabilities	344,671	310,253	(34,418)	-9.99%
Net Position:				
Net Investment in Capital Assets	1,470,259	1,514,622	44,363	3.02%
Restricted	553,318	823,659	270,341	48.86%
Unrestricted	<u>84,450</u>	<u>9,174</u>	<u>(75,276)</u>	<u>-89.14%</u>
Total Net Position	2,108,027	2,347,455	239,428	11.36%



To support the Net Position listed above the District will identify changes in revenues. Changes to District Revenues are described as follows:

- Overall the District's revenues decreased by 4.48%.
- The following increases in revenues were noted; Operating Grant of \$49,792.00, State Equalization of \$7,922.00, County of \$19,547.00, and District Levies increased by \$176,697.00. The bulk of the District Levy increase initiated by the Boiler Repair Building reserve levy.

- Decreases in revenue were noted in Charges for Services \$1,401.00, Other State Revenue \$397,133.00, Interest \$1,665.00 and other fees of \$1,665.00.
- The decrease in State Revenue was the completion of the Quality School grant for prior school year.

Revenues	<u>2013</u>	<u>2014</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Program Revenues:				
Charges for Services	32,423	31,022	(1,401)	-4.32%
Operating Grants	352,437	402,229	49,792	14.13%
General Revenues:				
District Levy	1,056,720	1,233,417	176,697	16.72%
State Equalization	786,268	794,190	7,922	1.01%
Other State Revenues	778,180	381,047	(397,133)	-51.03%
County	241,519	261,066	19,547	8.09%
Interest	7,678	6,013	(1,665)	-21.69%
Other	<u>43,420</u>	<u>41,755</u>	<u>(1,665)</u>	<u>-3.83%</u>
Total Revenues	3,298,645	3,150,739	(147,906)	-4.48%

The following changes in expenditures will help clarify the changes in Net Position listed above.

- There was a slight increase in overall expenditures of .41%. The amount of increased expense was \$11,942.00 over last year.
- The following decreases in expenditures were noted: Educational Media Services \$17,071.00, General Administrative Services \$1,065.00, Operation and Maintenance \$44,783.00, other current charges \$2,976.00 and OPEB (Other Public Employees Benefits) 12,176.00.
- Decrease in expenditure services are related to retiring individuals dropping their health insurance coverage (OPEB) and eliminate a position in the maintenance/custodial area.
- Expenditure increases were noted in the following areas: Instructional Services \$28,205.00, Support Services \$39,916.00, Transportation \$2,231, School Food Services 1,940.00 and extracurricular \$17,721.00.
- Increase cost in diesel, bus barn heating costs, and electrical costs have increased expenditures in the transportation budget. Increases in Instructional area would be payment of retiring teacher's termination leave package, support services would be termination package for retiring superintendent.

Program Expenses	<u>2013</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Instructional Service	1,526,895	1,555,100	28,205	1.85%
Support Services	50,076	89,992	39,916	79.71%
Educational Media Services	132,343	115,272	-17,071	-12.90%
General Administrative Services	386,115	385,050	-1,065	-0.28%
Operations & Maintenance Services	399,520	354,737	-44,783	-11.21%
Transportation Services	205,404	207,635	2,231	1.09%
School Food Services	123,192	125,132	1,940	1.57%
Extracurricular	58,543	76,264	17,721	30.27%
Other Current Charges	3,151	175	-2,976	-94.45%
OPEB	12,176	-	-12,176	-100.00%
Total Expenses	<u>2,897,415</u>	<u>2,909,357</u>	<u>11,942</u>	<u>0.41%</u>

Reporting the District's Most Significant Funds

The fund statement provides detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure for school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, into separate fund accounts.

The fund statements report balances and activities of the most significant or "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 funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation, school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. The district-wide statements are presented using the accrual basis of accounting and the fund statements for government 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 District's Trust and Fiduciary Responsibilities

The District is the Trustee for the Higgins Scholarship Fund, the Julian Memorial Fund, the Zehntner Scholarship Fund, and the Associated Student funds.

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position as indicated on Page 20 because the District cannot use these assets to fund its operations.

The District is responsible for ensuring these assets are used for their intended purpose. The District annually awards the scholarships following the guidelines stated for each scholarship. Unfortunately, interest rates earned are extremely low, not allowing the District to award them on an annual basis at this time.

The Contract of Endowments prohibits the District from investing monies in junk bonds, money market programs, or similar vehicles. Currently, the District invests all scholarship funds in Certificates of Deposit at the Bank of the Rockies and Dutton State Bank. These Scholarships have been established by local community members for the benefit of White Sulphur Springs High School graduates wishing to continue their education.

Budget-to-Actual Comparisons

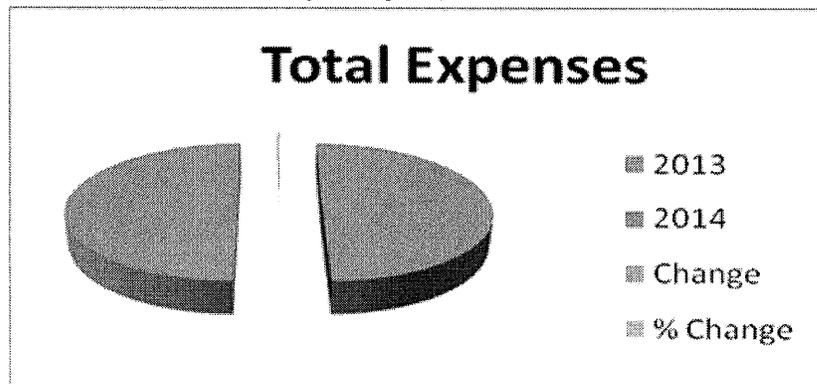
The White Sulphur Springs Elementary School General Fund budget for 2013-2014 was \$1,191,068.97. Since protested taxes were released during this school year and with deferred maintenance projects to complete, the Board approved an elementary budget amendment of \$40,993.50 bring the budget to \$1,232,062.52. The Elementary School General Fund expenditures were \$1,219,915.98 which left a remaining budget authority of \$12,146.54.

The White Sulphur Springs High School General Fund budget for 2013-2014 was \$863,615.59. Since protested taxes were released during this school year and with deferred maintenance projects to complete, the Board approved a high school budget amendment of \$29,213.33 bring the budget to \$905,954.79. The High School General Fund expenditures were \$903,788.75 which left a remaining budget authority of \$2,166.04.

The District as a Whole

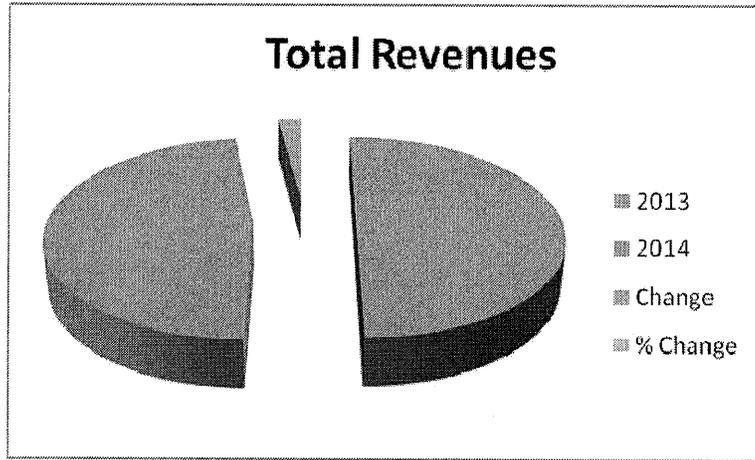
White Sulphur Springs Public Schools as an entity is financially stable. As stated in past years we are like most schools that have many challenges to face. The Schools face declining enrollment, maintenance of our older facilities, and a staff in which many are currently at the higher end of the salary scale. All of these factors impact the budgeting process.

1. Net Asset Change in Expenditures (Program Expense)



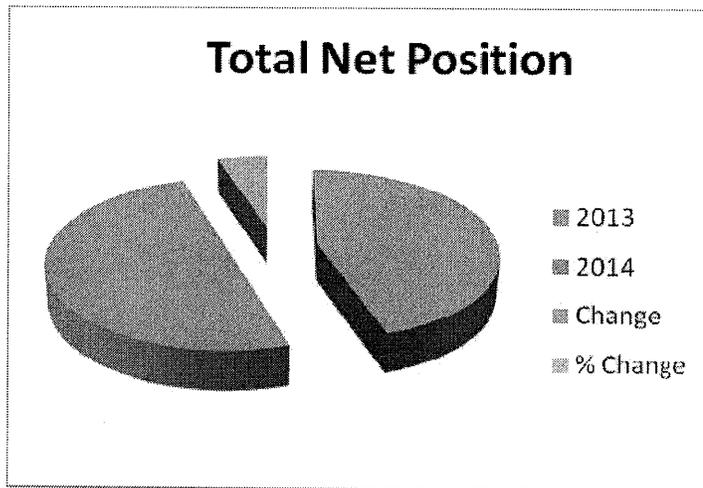
The expenditure programs increased by .41% from the 2012-2013 fiscal year. The expenditure increased by \$11,942.00.

Net Asset Changes in Revenues



The District's program revenues decreased a 4.48% over the 2012-2013 fiscal year ending June 30, 2013. The majority of the decrease was associated to the Quality School Grant.

2. Total Net Position



The District Net Position have increased 11.36% from the 2012-2013 fiscal year. This is an increase of \$239,428.00.

3. Changes in Finance caused by Changes in Programs

The Elementary School District had no changes in finances resulting from changes in program for this audit period.

The High School District had no changes in finances resulting from changes in program for this audit period.

4. **Identifying and Resolving Financial Difficulties**

No budget problem or error significantly impacted any District funds for the 2013-2014 audit period ending June 30, 2014.

5. **Significant Events and Trends**

Significant trends for White Sulphur Springs Schools include increasing building and maintenance costs and labor rates with little or no increases in funding. The cost of maintaining the District's older buildings and grounds are rise extensively along with health insurance, electricity, heating fuel, etc. The District faces major repairs in both facilities which have them seeking information on combining the K-12 facilities with a remodeling/building of a facility. This would be eliminating the facility cost of the older elementary building, which was built in 1921.

At this time, it should be noted that the majority of the District's General Fund budgets are used for salaries and benefits. White Sulphur Springs Elementary School is currently experiencing a small increase in enrollment while High School enrollment is declining. Student enrollment continues to have a significant impact on funding for our District. Under current state funding formulas; enrollment plays a large role in the level of state financial support. There are no funds to provide increase in wages for our staff.

What Does the School Do?

Students at White Sulphur Springs School are provided with excellent educational opportunities. The School has initiated assessment programs to help guide our teaching staff in designing instruction that maximize the learning opportunities for students.

The programs at White Sulphur Springs Public Schools offer students excellent academic preparation and co-curricular opportunities. The District uses DIBELS and MAP Assessments to help provide staff the necessary information and to design educational programs for our students. Both the elementary and high school currently use RTI (Response to Intervention) to provide students the support they need to succeed. The District did not achieve AYP (Adequate Yearly Progress) for some schools during the audit year as required by the No Child Left Behind Act. The implementation of the current testing programs will help students make important academic progress. Ongoing review of curriculum is also a crucial step in ensuring student success.

As in years past, students in co-curricular programs perform at high levels. The Speech and Drama program and BPA (Business Professionals of America) in particular include students who have distinguished themselves at the state and national levels. The FFA organization has experienced success at State Conventions as well. White Sulphur Springs Students are actively involved in Academic Olympics, Math competitions, athletic activities, and community service, while maintaining good grades in the classroom and attending school regularly.

Where Do the Revenue Resources Come From?

Below are percentage calculations of various revenue sources based on total revenues collected. Last year's percentage information is provided as well. You will note that revenue sources stay very close in percentages from one year to another.

Revenue Sources	2014 Revenues	2014%	2013%
District Levies	1,056,720	32%	32%
State Equalization	786,268	24%	23%
Other State Revenue	778,180	23%	23%
County	261,066	8%	8%
Federal	-0-	0%	0%
Investment Earnings	6,013	0%	1%
Donations	-0-	0%	0%
Other	43,420	0%	1%
Charge for Services	31,022	1%	1%
Operating Grants	402,229	12%	11%
Total Revenue	3,298,646	100%	100%

What does it Cost?

Listed below are percentage calculations of expenditures compared to total expenditures made by the District for the audit period ending June 30, 2014.

Line Item Expense	2014 Expenses	2014%	2013%
Instruction	1,555,100	53%	53%
Support	89,992	3%	2%
Media	115,272	4%	5%
Administration	385,050	14%	14%
Operation & Maintenance	354,747	12%	14%
Transportation	207,635	7%	7%
Extracurricular	76,264	3%	2%
School Food Service	125,132	4%	2%
Other Post-Employment	0	0%	1%
Other Current Charges	175	0%	0%
Loss of Assets	0	0%	0%
Total Expenses	2,909,357	100%	100%

What are the Capital Assets and Debt of the District?

The following is a list of the District Capital Assets and Debts of the District. They are organized in a chart for easy review.

Elementary/High School Fixed Assets	2014	2013	Difference	Comment
Land	56,521	56,521		
Land & Improvements	158,066	158,066		
Building & Improvements	1,507,252	934,369	572,883	Completion of HS Gym, gym sound panels, Boiler, etc
Machinery & Equipment	430,670.28	572,626	(141,956)	Bus depreciated –removed
Construction in Progress	192,718	59,270	57,444	Boiler project

Listed below in the District's Annual Accumulated Depreciation:

Depreciation	2014	2013
Land & Improvement	7,903	7,903
Building & Improvement	37,894	23,551
Machinery & Equipment	36,171	52,184

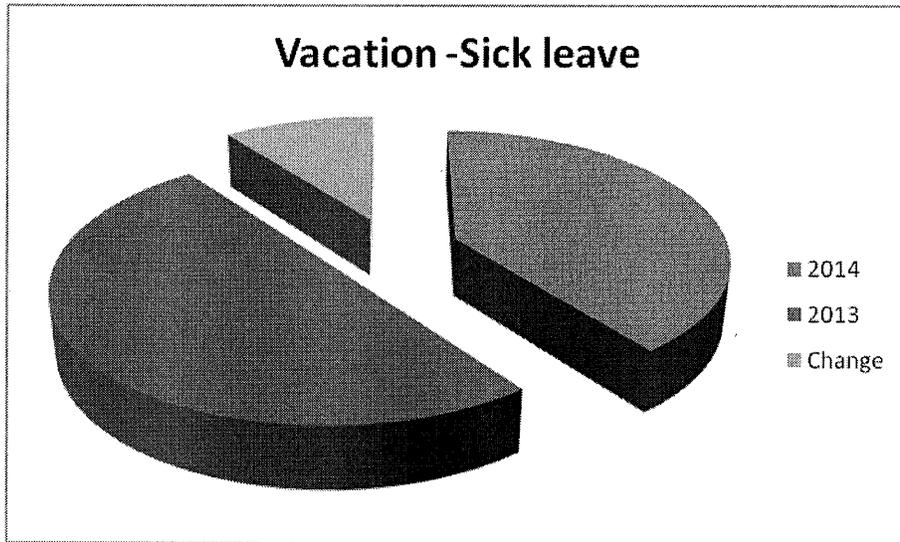
Compensated Absences:

Compensated absences are considered long term liabilities. Accumulated compensated absences are listed in total for both the Classified and Certified staff.

Function	2014 Elem/HS Dollar Amounts	2013 Elem/HS Dollar Amounts	Difference
Instruction	67,983	70,400	(2,417)
Guidance (Support)	3,838	5,140	(1,302)
Media (Library)	4,318	12,892	(8,574)
Administration(2300)	0	9,379	(9,379)
Administration(2400)	10,029	15,598	(5,569)
Administration(2500)	12,554	12,568	(14)
O & M(2600)	7,806	11,746	(3,940)
Transportation	6,458	5,923	535
School Food Service	2,610	2,440	170
Total Compensated Absences and Net Change	115,596	146,086	(30,490)

The major cause of reductions in the sick and vacation leave is due to retirement of 2 teachers, 1 custodial and superintendent.

Overall the District's sick and vacation leave decreased for audit period ending June 30, 2014.



Debt Account:

The District has no long term debt.

Fund Deficits:

There were no fund deficits for the 2013-2014 school year.

What Changes and Trends Affect the District's Future?

The District may see a small influx of students when the Tintina Mine is in operating status. The Mine has anticipated this will happen around 2018.

Currently, the trend that most significantly affects the District is finding a stable funding program through the State that would allow the District financial constancy and a CPI growth factor.

As in the past, White Sulphur Springs Public School is looking towards the future with development of a long-term building maintenance/renovation plan, a commitment to provide a healthy learning environment for all students, a determination to make further progress toward the goals as set by the Board of Trustees and to continue to work with the community in all aspects of the school System.

Management Discussion & Analysis Closing

White Sulphur Springs Public Schools respectfully offers this brief overview of the District's financial status for the period ending June 30, 2014. Thank you for your time in review our audit.

Contact for Further Information

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School District #8
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White Sulphur Springs, MT 59645
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Fax: (406) 547-3922
E-mail: lmarkuson@whitesulphur.k12.mt.us

Connie Davis, District Clerk
School District #8
PO Box C
White Sulphur Springs, Montana 59645
Phone: (406) 547-3751
Fax: (406) 547-3922
E-mail: connied@whitesulphur.k12.mt.us

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
White Sulphur Springs School District No. 8
Meagher County
White Sulphur Springs, Montana 59645

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 White Sulphur Springs School District No. 8 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 White Sulphur Springs School District No. 8 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 -10), the schedule of funding for other post-employment benefits other than pensions (page 32) and budgetary comparison information (pages 33 - 36) 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 White Sulphur Springs School District No. 8's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 37) and schedule of reported enrollment (page 38) 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 7, 2015 on our consideration of White Sulphur Springs School District No. 8 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 White Sulphur Springs School District No. 8 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
May 7, 2015

White Sulphur Springs School District No. 8
 Meagher County
 White Sulphur Springs, Montana 59645

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 824,470
Taxes Receivable	30,591
Accounts Receivable - Net	53,000
Due From Other Governments	<u>121,634</u>
Total Current Assets	<u>1,029,695</u>
Noncurrent Assets:	
Capital Assets:	
Land	56,520
Construction in Progress	192,719
Net Depreciable Assets	<u>1,342,663</u>
Total Noncurrent Assets	<u>1,591,902</u>
Total Assets	<u>\$ 2,621,597</u>
LIABILITIES:	
Current Liabilities	
Grants Received In Advance	7,235
Current Portions Compensated Absences	32,500
Current Portion Long-Term Capital Obligations	<u>113,391</u>
Total Current Liabilities	<u>153,126</u>
Noncurrent Liabilities:	
Long-Term Obligations	72,871
Compensated Absences	<u>84,256</u>
Total Noncurrent Liabilities	<u>157,127</u>
Total Liabilities	<u>310,253</u>
NET POSITION:	
Net investment in capital assets	1,478,511
Restricted	823,659
Unrestricted (Deficit)	<u>9,174</u>
Total Net Position	<u>2,311,344</u>
Total Liabilities and Net Position	<u>\$ 2,621,597</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 1,556,878	\$ 2,664	\$ 204,997	\$ (1,349,217)
Support Services	89,992	-	37,031	(52,961)
Educational Media Services	115,272	-	5,859	(109,413)
General Administrative Services	384,010	-	-	(384,010)
Operation & Maintenance Services	354,089	-	-	(354,089)
Transportation Services	220,225	-	83,148	(137,077)
School Food Services	125,132	28,358	71,194	(25,580)
Extracurricular	76,264	-	-	(76,264)
Other Current Charges	175	-	-	(175)
Total Governmental Activities	<u>2,922,037</u>	<u>31,022</u>	<u>402,229</u>	<u>(2,488,786)</u>
GENERAL REVENUES				
District Levies				1,233,417
State Equalization				794,190
Other State Revenues				381,047
County				261,066
Interest				6,013
Other				41,755
Total General Revenues				<u>2,717,488</u>
Change in Net Position				228,702
Net Position				
Beginning of the Year				2,108,027
Prior Period Adjustments				(25,385)
End of the Year				<u>\$ 2,311,344</u>

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

White Sulphur Springs School District No. 8
 Meagher County
 White Sulphur Springs, Montana 59645

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR				
	General	Bus Depreciation (Elem.)	Miscellaneous Programs (Elem.)	Miscellaneous Programs (HS)	Building Reserve (HS)
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 185,754	\$ 107,006	\$ 73,764	\$ 14,304	\$ 129,455
Taxes Receivable	23,268	681	-	-	2,964
Accounts Receivable - Net	-	-	53,000	-	-
Due From Other Governments	-	-	2,413	4,441	113,391
Total Assets	\$ 209,022	\$ 107,687	\$ 129,177	\$ 18,745	245,810
LIABILITIES:					
Current Liabilities					
Grants Received In Advance	-	-	-	7,235	-
Total Liabilities	-	-	-	7,235	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	23,268	681	-	-	2,964
Total Deferred Inflows of resources	23,268	681	-	-	2,964
FUND BALANCE:					
Fund Balances:					
Restricted	-	107,006	129,177	11,510	242,846
Assigned	32,418	-	-	-	-
Unassigned:	153,336	-	-	-	-
Total Fund Balance	185,754	107,006	129,177	11,510	242,846
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 209,022	\$ 107,687	\$ 129,177	\$ 18,745	\$ 245,810

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

BALANCE SHEET
 GOVERNMENTAL FUNDS - (continued)
 as of June 30, 2014

	Other Governmental Funds	Total Governmental Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 314,187	\$ 824,470
Taxes Receivable	3,678	30,591
Accounts Receivable - Net	-	53,000
Due From Other Governments	1,389	121,634
Total Assets	<u>319,254</u>	<u>\$ 1,029,695</u>
LIABILITIES:		
Current Liabilities		
Grants Received In Advance	-	7,235
Total Liabilities	<u>-</u>	<u>7,235</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Property Taxes Receivable	3,678	30,591
Total Deferred Inflows of resources	<u>3,678</u>	<u>30,591</u>
FUND BALANCE:		
Fund Balances:		
Restricted	315,576	806,115
Assigned	-	32,418
Unassigned:	-	153,336
Total Fund Balance	<u>315,576</u>	<u>991,869</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 319,254</u>	<u>\$ 1,029,695</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 991,869
Governmental Capital Assets	1,591,902
Long-term Liabilities	
Long-Term Obligations	(72,871)
Compensated Absences	(116,756)
Long-Term Capital Obligations	(113,391)
Unavailable Property Taxes Receivable	30,591
Net Position of Governmental Activities	<u>\$ 2,311,344</u>

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

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

	MAJOR				
	General	Bus Depreciation (Elem.)	Miscellaneous Programs (Elem.)	Miscellaneous Programs (HS)	Building Reserve (HS)
REVENUES:					
District Levies	\$ 977,251	\$ 29,727	\$ -	\$ -	\$ 235,311
Interest	242	156	5,091	-	147
Charges for Services	-	-	-	-	-
Other	2,380	-	32,759	6,000	-
County	-	-	-	-	-
State	1,201,100	-	63,996	6,685	2,931
Federal	-	-	117,725	17,027	-
Total Revenues	<u>2,180,973</u>	<u>29,883</u>	<u>219,571</u>	<u>29,712</u>	<u>238,389</u>
EXPENDITURES:					
Current					
Instructional Services	1,144,492	-	117,518	22,174	-
Support Services	46,462	-	37,031	-	-
Educational Media Services	88,673	-	4,229	1,630	-
General Administrative Services	282,220	-	-	-	-
Operation & Maintenance Services	338,893	-	-	-	-
Transportation Services	49,357	2,244	-	158	-
School Food Services	21,646	-	-	-	-
Extracurricular	68,853	-	-	-	-
Other Current Charges	-	-	175	-	-
Capital Outlay	78,036	-	-	-	138,119
Total Expenditures	<u>2,118,632</u>	<u>2,244</u>	<u>158,953</u>	<u>23,962</u>	<u>138,119</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>62,341</u>	<u>27,639</u>	<u>60,618</u>	<u>5,750</u>	<u>100,270</u>
OTHER FINANCING SOURCES/USES					
Loan Proceeds	-	-	-	-	113,391
Fund Transfers In	5,067	-	-	-	-
Fund Transfers (Out)	-	-	-	-	-
Total Other financial Sources/Uses	<u>5,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,391</u>
NET CHANGES IN FUND BALANCES	67,408	27,639	60,618	5,750	213,661
FUND BALANCE:					
Beginning of the Year	<u>118,346</u>	<u>79,367</u>	<u>68,559</u>	<u>5,760</u>	<u>29,185</u>
End of the Year	<u>\$ 185,754</u>	<u>\$ 107,006</u>	<u>\$ 129,177</u>	<u>\$ 11,510</u>	<u>\$ 242,846</u>

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

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

	Other Governmental Funds	Total Governmental Funds
REVENUES:		
District Levies	\$ 173,595	\$ 1,415,884
Interest	377	6,013
Charges for Services	30,758	30,758
Other	880	42,019
County	302,561	302,561
State	55,623	1,330,335
Federal	70,884	205,636
Total Revenues	<u>634,678</u>	<u>3,333,206</u>
EXPENDITURES:		
Current		
Instructional Services	224,231	1,508,415
Support Services	6,519	90,012
Educational Media Services	30,596	125,128
General Administrative Services	114,439	396,659
Operation & Maintenance Services	15,304	354,197
Transportation Services	127,101	178,860
School Food Services	102,952	124,598
Extracurricular	6,121	74,974
Other Current Charges	-	175
Capital Outlay	17,046	233,201
Total Expenditures	<u>644,309</u>	<u>3,086,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,631)</u>	<u>246,987</u>
OTHER FINANCING SOURCES/USES		
Loan Proceeds	-	113,391
Fund Transfers In	-	5,067
Fund Transfers (Out)	(5,067)	(5,067)
Total Other financial Sources/Uses	<u>(5,067)</u>	<u>113,391</u>
NET CHANGES IN FUND BALANCES	(14,698)	360,378
FUND BALANCE:		
Beginning of the Year	<u>330,274</u>	<u>631,491</u>
End of the Year	<u>\$ 315,576</u>	<u>\$ 991,869</u>

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

White Sulphur Springs School District No. 8
Meagher County
White Sulphur Springs, Montana 59645

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		\$	360,378
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(182,467)
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Bond/Note Proceeds			(113,391)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(86,173)		
(Increase) decrease in Other Post Employment Benefits	(12,176)		
(Increase) decrease in compensated absence liability	<u>29,330</u>	(69,019)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays			<u>233,201</u>
Change in net position reported on the Statement of Activity		\$	<u>228,702</u>

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

White Sulphur Springs School District No. 8
 Meagher County
 White Sulphur Springs, Montana 59645

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	\$ 153,764	\$ 182,832
Total Assets	<u>153,764</u>	<u>182,832</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	154,455
Due to Others	-	<u>28,377</u>
Total Liabilities	-	<u>182,832</u>
NET POSITION:		
Restricted for Endowment	42,007	
Restricted for Student Activities	<u>111,757</u>	
Total Net Position	<u>\$ 153,764</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 146,136
Contributions to Endowment	153
Total Additions	<u>146,289</u>
DEDUCTIONS:	
Expenses of Student Activities	<u>132,691</u>
Total Deductions	<u>132,691</u>
CHANGE IN NET POSITION	13,598
NET POSITION:	
Beginning of the Year	<u>140,166</u>
End of the Year	<u>\$ 153,764</u>

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

White Sulphur Springs School District No. 8

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 White Sulphur Springs School District No. 8 (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 White Sulphur Springs School District No. 8 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the White Sulphur Springs School District No. 8 (the primary government) and any component units. 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 the 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 (primary government). Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 driver's education fees.
- Operating grants that are restricted to a particular functional program.

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

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund 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 and proceeds from long-term debt are reported as other financing sources.

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:

White Sulphur Springs School District No. 8

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.
- 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 buses and two-way radio equipment owned by the School District.
- Elementary and High School Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- High School Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

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. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government 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 Meagher County 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 tax levies are set connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

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.

White Sulphur Springs School District No. 8

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

Taxes and special assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	7 – 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 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 19 days of sick leave at the beginning of each year. A tenured teacher who leaves the school district will be paid for ¼ of accumulated sick leave up to one hundred fifty (150) [Thirty-seven and one-half days (37 ½) maximum] at the daily rate of teacher's current salary. Each teacher is entitled to two (2) days of accumulative personal leave per year. Each teacher may accumulate up to five (5) days of accumulative personal leave. At the conclusion of each school year, the School District will purchase any unused accumulative personal leave days in excess of three (3) days.

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 \$32,500 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.

White Sulphur Springs School District No. 8

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

- 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.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- 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>	<u>Committed</u>
Instructional - Regular	\$ 15,280	\$ 26,746
Operations and Maintenance	-	1,938
Student Transportation	109,475	259
Extracurricular	-	3,475
School Food	3,763	-
Third Party Grantor Restrictions	140,687	-
Employer Retirement Benefits	83,242	-
Future Technology	61,934	-
Future Capital Costs	391,734	-
Total	<u>\$ 806,115</u>	<u>\$ 32,418</u>

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. When an expenditure is incurred and assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of then assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 824,470</u>	<u>\$ 336,596</u>	<u>\$ 1,161,066</u>

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

White Sulphur Springs School District No. 8

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

	<u>Amount</u>
Cash on Hand	\$ 350
Demand Accounts	111,757
County Investment Pool	<u>1,048,959</u>
Total	<u>\$ 1,161,066</u>

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

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Meagher County and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$6,517,955 for the Elementary School District and \$8,258,811 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 schools follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	74.71	\$ 13,047
Transportation	8.14	1,030
Bus Depreciation*	4.19	681
Technology	2.58	449
Building Reserve	1.23	213
<u>High School Fund</u>		
General*	48.50	10,221
Transportation	6.07	960
Bus Depreciation	0.21	363
Tuition		15
Adult Education	0.61	121
Technology	2.37	527
Building Reserve*	<u>29.03</u>	<u>2,964</u>
Total	<u>177.64</u>	<u>\$ 30,591</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
School Food Services	\$ 309	State of Montana - Office of Public Instructions	Food Service Match
Miscellaneous *	1,798	State of Montana - Office of Public Instructions	Title I reimbursement
Miscellaneous *	238	State of Montana - Office of Public Instructions	Jobs for Montana Graduates reimbursement
Miscellaneous *	377	Federal Government	REAP reimbursement
<u>High School Fund</u>			
Miscellaneous *	1,151	Federal Government	REAP reimbursement
Miscellaneous *	3,290	State of Montana - Office of Public Instructions	Carl Perkins reimbursement
Traffic Education	1,080	State of Montana - Office of Public Instructions	Drivers Education reimbursement
Building Reserve	<u>113,391</u>	State of Montana - Montana Board of Investments	Reimbursements for expenditures
Total	<u>\$ 121,634</u>		

* Denotes Major Funds

White Sulphur Springs School District No. 8

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

NOTE 5. ACCOUNTS RECEIVABLE

The school district entered into an agreement to sell the Ringling School District property for \$53,000, which is payable on or before two years after the agreement was signed. The contract has been extended and the final payment is due July 27, 2015. Since May 2012 the purchaser has been paying the School District \$461 in interest payments on the contract price. During fiscal year ended June 30, 2014 the School District received \$5,071 in interest payments.

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 56,520	\$ -	\$ -	\$ -	\$ 56,520
Construction In Progress	235,236	192,719	-	(235,236)	192,719
Total Non-depreciable	<u>\$ 291,756</u>	<u>\$ 192,719</u>	<u>\$ -</u>	<u>\$ (235,236)</u>	<u>\$ 249,239</u>
<u>Depreciable:</u>					
Improvements other than buildings	\$ 158,066	\$ -	\$ -	\$ -	\$ 158,066
Buildings	1,059,297	34,880	11,015	235,236	1,318,398
Machinery and equipment	435,867	5,602	10,799	-	430,670
Total Depreciable	<u>\$ 1,653,230</u>	<u>\$ 40,482</u>	<u>\$ 21,814</u>	<u>\$ 235,236</u>	<u>\$ 1,907,134</u>
<u>Accumulated Depreciation:</u>					
Improvements other than buildings	\$ (104,908)	\$ (7,903)	\$ -	\$ (738)	\$ (113,549)
Buildings	(195,740)	(30,848)	(11,015)	(4,371)	(219,944)
Machinery and equipment	(174,079)	(47,422)	(10,799)	(20,276)	(230,978)
Total Depreciation	<u>\$ (474,727)</u>	<u>\$ (86,173)</u>	<u>\$ (21,814)</u>	<u>\$ (25,385)</u>	<u>\$ (564,471)</u>
Net Depreciable Assets	<u>1,178,503</u>	<u>(45,691)</u>	<u>-</u>	<u>209,851</u>	<u>1,342,663</u>
Net General Capital Assets	<u>\$ 1,470,259</u>	<u>\$ 147,028</u>	<u>\$ -</u>	<u>\$ (25,385)</u>	<u>\$ 1,591,902</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 38,704
School Administration	1,152
Operation & Maintenance	3,832
Transportation	40,830
School Food	365
Extracurricular	1,290
Total Depreciation Expense	<u>\$ 86,173</u>

NOTE 7. CHANGES IN LONG-TERM DEBT

7. 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>					
Inter-cap Loans	\$ -	\$ 113,391	\$ -	\$ 113,391	\$ 113,391
<u>Other Liabilities:</u>					
Compensated Absences	\$ 146,086	\$ -	\$ (29,330)	\$ 116,756	\$ 32,500
Other Post-Employment Benefits (OPEB)	60,695	12,176	-	72,871	-
Total Other Liabilities	<u>\$ 206,781</u>	<u>\$ 12,176</u>	<u>\$ (29,330)</u>	<u>\$ 189,627</u>	<u>\$ 32,500</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 206,781</u>	<u>\$ 125,567</u>	<u>\$ (29,330)</u>	<u>\$ 303,018</u>	<u>\$ 145,891</u>

White Sulphur Springs School District No. 8

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

7. b. INTERCAP LOAN

The School District entered into an intercap loan with the Montana Board of Investments for the acquisition of a Boiler System. The loan was issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate*</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
Boiler Project	7/19/2013	1.00%	2 years	6/15/15	\$ 113,391	\$ 113,391

*Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans. Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

For the year ended 6/30:	<u>Principal</u>	<u>Interest</u>
2015	\$ 113,391	\$ 1,134

NOTE 8. CURRENT LIABILITIES

8. a. UNEARNED REVENUES

<u>High School Fund</u>	<u>Amount</u>	<u>Reason</u>
Miscellaneous*	\$ 7,235	Lenep School closure

* Denotes Major Funds

NOTE 9. OPERATING TRANSFERS

<u>Elementary Fund - Out</u>	<u>Amount</u>	<u>Elementary Fund - In</u>
Compensated Absences	\$ 3,394	General* - To comply with MCA
<u>High School Fund - Out</u>		<u>High School Fund - In</u>
Compensated Absences	1,673	General* - To comply with MCA
Total	\$ 5,067	

* Denotes Major Funds

NOTE 10. DEFERRED INFLOWS OF RESOURCES

10. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 13,047	Taxes Receivable
Transportation	1,030	Taxes Receivable
Bus Depreciation*	681	Taxes Receivable
Technology	449	Taxes Receivable
Building Reserve	213	Taxes Receivable
<u>High School Fund</u>		
General*	10,221	Taxes Receivable
Transportation	960	Taxes Receivable
Bus Depreciation	363	Taxes Receivable
Tuition	15	Taxes Receivable
Adult Education	121	Taxes Receivable
Technology	527	Taxes Receivable
Building Reserve*	2,964	Taxes Receivable
Total	\$ 30,591	Taxes Receivable

* Denotes Major Funds

White Sulphur Springs School District No. 8

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

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$7,568 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

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

Actuarial Accrued Liability (AAL)	\$ 175,964
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>175,9640</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,559,894
UAAL as a percentage of covered payroll	11.3%

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

Annual Required Contribution (ARC)	\$ 12,176
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	12,176
Contribution made	<u>0</u>
Increase in net OPEB obligation	12,176
Net OPEB obligation - beginning of year	60,695
Net OPEB obligation - end of year	<u>\$ 72,871</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	66
Discount rate (average anticipated rate)	4.0%
Average Salary Increase	1.0%
Health care cost rate trend	
Year	% Increase
2014 and after	3.00%

NOTE 12. OTHER COMMITMENTS

12. a. 2 CONSTRUCTION COMMITMENTS

The school district boiler project is expected to be completed in fiscal year 2015. In September 2014, the School District took another draw from the Board of Investments in the amount of \$264,874.

White Sulphur Springs School District No. 8

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

12. a. 1 ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 29,896
Transportation	517
Miscellaneous	460
Technology	4,601
<u>High School Fund</u>	
General*	2,522
Transportation	776
Miscellaneous	941
Technology	4,601
Total	<u>\$ 44,314</u>

* Denotes Major Funds

NOTE 13. PRIOR PERIOD ADJUSTMENTS

	<u>Amount</u>	<u>REASON</u>
Governmental Type Activities	<u>(25,385)</u>	Correct prior year accumulated depreciation

NOTE 14. 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 15. 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/da/perb/prb.htm

White Sulphur Springs School District No. 8

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

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	\$ 238,218	\$ 236,697	\$ 262,420
PERS	<u>47,049</u>	<u>38,143</u>	<u>44,846</u>
Total	<u>\$ 285,267</u>	<u>\$ 274,840</u>	<u>\$ 307,266</u>

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The White Sulphur Springs School District No. 8 is a member of the Prickly Pear 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 White Sulphur Springs School District No. 8, 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 Lewis and Clark 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 17. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

White Sulphur Springs School District No. 8

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2012	\$ -	\$ 175,964	\$ 175,964	0%	\$ 1,559,894	11.30%

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

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)			General (HS)		
	Original	Final	Actual	Original	Final	Actual
	Budget	Budget		Budget	Budget	
REVENUES:						
District Levies	\$ 486,947	\$ 486,947	\$ 531,462	\$ 379,646	\$ 379,646	\$ 445,789
Interest	94	94	184	24	24	58
Other	-	-	-	-	-	2,380
State	704,028	704,028	704,028	497,072	497,072	497,072
Total Revenues	<u>1,191,069</u>	<u>1,191,069</u>	<u>1,235,674</u>	<u>876,742</u>	<u>876,742</u>	<u>945,299</u>
EXPENDITURES:						
Current						
Instructional Services			676,552			473,724
Support Services			29,204			17,258
Educational Media Services			47,392			41,281
General Administrative Services			178,710			103,510
Operation & Maintenance Services			203,854			135,039
Transportation Services			7,452			41,905
School Food Services			17,701			3,945
Extracurricular			9,380			55,686
Capital Outlay			50,383			31,440
Total Expenditures	<u>1,191,069</u>	<u>1,232,063</u>	<u>1,220,628</u>	<u>876,742</u>	<u>905,955</u>	<u>903,788</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(40,994)</u>	<u>15,046</u>	<u>-</u>	<u>(29,213)</u>	<u>41,511</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers In			3,394			1,673
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>3,394</u>	<u>-</u>	<u>-</u>	<u>1,673</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>(40,994)</u>	<u>18,440</u>	<u>-</u>	<u>(29,213)</u>	<u>43,184</u>
FUND BALANCE:						
Beginning of the Year			71,427			20,284
End of the Year			<u>\$ 89,867</u>			<u>\$ 63,468</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 - (continued)
 For the Year Ended June 30, 2014

	Bus Depreciation (Elem.)		
	Original	Final	Actual
	Budget	Budget	
REVENUES:			
District Levies	\$ 27,339	\$ 27,339	\$ 29,727
Interest	-	-	156
Other	-	-	-
State	-	-	-
Total Revenues	<u>27,339</u>	<u>27,339</u>	<u>29,883</u>
EXPENDITURES:			
Current			
Instructional Services	-	-	-
Support Services	-	-	-
Educational Media Services	-	-	-
General Administrative Services	-	-	-
Operation & Maintenance Services	-	-	-
Transportation Services	2,244	2,244	2,244
School Food Services	-	-	-
Extracurricular	-	-	-
Capital Outlay	104,461	104,461	-
Total Expenditures	<u>106,705</u>	<u>106,705</u>	<u>2,244</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(79,366)</u>	<u>(79,366)</u>	<u>27,639</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers In	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(79,366)	(79,366)	27,639
FUND BALANCE:			
Beginning of the Year			<u>79,367</u>
End of the Year			<u>\$ 107,006</u>

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

White Sulphur Springs School District No. 8

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), 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 building reserve is not included in the schedule because it is not special revenue funds and the miscellaneous 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. FUND BALANCE RECONCILIATION

The fund balances of the general funds displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances (GAAP Basis) is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$32,418. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the GAAP basis statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve for fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The District approved a budget amendment due to maintenance and operations needs neglected in prior years under the provisions of 20-9-161(6), MCA for the elementary general fund. The budget amendment was for \$40,994 and will be funded with general fund reserves.

The District approved a budget amendment due to maintenance and operations needs neglected in prior years under the provisions of 20-9-161(6), MCA for the high school general fund. The budget amendment was for \$29,213 and will be funded with general fund reserves.

White Sulphur Springs School District No. 8

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

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-fund General (Elem)	Sub-fund General (HS)	Total General Fund
REVENUES:			
District Levies	\$ 531,462	\$ 445,789	\$ 977,251
Interest	184	58	242
Other	-	2,380	2,380
State	<u>704,028</u>	<u>497,072</u>	<u>1,201,100</u>
Total Revenues	<u>1,235,674</u>	<u>945,299</u>	<u>2,180,973</u>
EXPENDITURES:			
Current			
Instructional Services	656,566	487,926	1,144,492
Support Services	29,204	17,258	46,462
Educational Media Services	47,392	41,281	88,673
General Administrative Services	178,710	103,510	282,220
Operation & Maintenance Services	203,854	135,039	338,893
Transportation Services	7,452	41,905	49,357
School Food Services	17,701	3,945	21,646
Extracurricular	13,167	55,686	68,853
Capital Outlay	<u>46,596</u>	<u>31,440</u>	<u>78,036</u>
Total Expenditures	<u>1,200,642</u>	<u>917,990</u>	<u>2,118,632</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>35,032</u>	<u>27,309</u>	<u>62,341</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers In	<u>3,394</u>	<u>1,673</u>	<u>5,067</u>
Total Other financial Sources/Uses	<u>3,394</u>	<u>1,673</u>	<u>5,067</u>
NET CHANGES IN FUND BALANCES			
	<u>38,426</u>	<u>28,982</u>	<u>67,408</u>
FUND BALANCE:			
Beginning of the Year	<u>81,337</u>	<u>37,009</u>	<u>118,346</u>
End of the Year	<u>\$ 119,763</u>	<u>\$ 65,991</u>	<u>\$ 185,754</u>

The fund balances of the general fund displayed above is different than the one displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$29,896 and \$2,522, respectively. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures above as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or restricted fund balances, as applicable.

In the reconciliation the general funds 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.

White Sulphur Springs School District No. 8

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS
Fiscal Year-Ended June 30, 2014

Activity Account Name	<u>Beginning Balance 7/1/2013</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance 6/30/2014</u>
AIM HIGHER	\$ 1,402	\$ 3,325	\$ 2,390	\$ -	\$ 2,337
ANNUAL	3,201	1,479	-	-	4,680
ART	2,787	342	52	-	3,077
ATHLETICS	9,259	26,622	27,232	-	8,651
BAND	4,923	7,358	7,320	-	4,961
BPA	879	17,475	16,106	10	2,258
CASUAL DAY	634	198	235	-	597
CHEERLEADERS	1,698	0	25	-	1,673
CLASS OF 2014	2,965	14,460	17,471	46	-
CLASS OF 2015	4,545	3,953	3,176	(17)	5,305
CLASS OF 2016	1,701	1,192	626	7	2,274
CLASS OF 2017	867	2,093	287	(41)	2,632
CLASS OF 2018	879	1,762	157	17	2,501
CLASS OF 2019	150	1,131	269	(96)	916
CLASS OF 2020	-	175	0	-	175
CLOSE UP	34,536	32,662	27,926	-	39,272
DRAMA	147	0	147	-	-
ELEMENTARY LIBRARY	5,191	2,566	2,402	-	5,355
FFA	-	1,235	83	750	1,902
FCCLA	621	4,547	6,402	1,234	0
HOME EC	291	651	651	(10)	281
OLWEUS	-	3,285	3,275	-	10
REVOLVING	4,283	5,807	5,638	-	4,452
ROY SWAN ELEMENTARY	4,606	753	363	-	4,996
SHOP	958	1,340	163	-	2,135
SPEECH	2,869	250	329	-	2,790
STUDENT COUNCIL	7,310	9,304	8,605	(50)	7,959
VICA	500	0	0	(500)	-
VO ED STORE	1,110	2,171	1,361	(1,350)	568
Total	<u>\$ 98,312</u>	<u>\$ 146,136</u>	<u>\$ 132,691</u>	<u>\$ -</u>	<u>\$ 111,757</u>

White Sulphur Springs School District No. 8

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	9	9	0
Grade 1 - 6	96	96	0
Grade 7 - 8	<u>27</u>	<u>27</u>	<u>0</u>
Total	<u>132</u>	<u>132</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>61</u>	<u>61</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	9	9	0
Grade 1 - 6	99	99	0
Grade 7 - 8	<u>28</u>	<u>28</u>	<u>0</u>
Total	<u>136</u>	<u>136</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>60</u>	<u>60</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	9	9	0
Grade 1 - 6	100	100	0
Grade 7 - 8	<u>28</u>	<u>28</u>	<u>0</u>
Total	<u>137</u>	<u>137</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Reported</u>	<u>Variance</u>
Grade 9 - 12	<u>59</u>	<u>59</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

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
White Sulphur Springs School District No. 8
Meagher County
White Sulphur Springs, Montana 59645

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 White Sulphur Springs School District No. 8 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the White Sulphur Springs School District No. 8's basic financial statements and have issued our report thereon dated May 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered White Sulphur Springs School District No. 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether White Sulphur Springs School District No. 8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
May 7, 2015

WHITE SULPHUR SPRINGS SCHOOL DISTRICT NO. 8

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year-Ended June 30, 2014

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.