

**SCHOOL DISTRICT NUMBERS 52 & 52C
STILLWATER COUNTY
ABSAROKEE, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position - Fiduciary Funds	13
Statement of Changes in Net Position - Fiduciary Fund	14
Notes to Basic Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	22
Elementary Bus Depreciation Fund	23
High School Bus Depreciation Fund	24
OTHER SUPPLEMENTARY INFORMATION:	
Extracurricular Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances	25
Schedule of School District Enrollment	26
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
SCHEDULE OF FINDINGS	29
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS	30

SCHOOL DISTRICT NUMBERS 52 & 52C

ORGANIZATION

June 30, 2014

BOARD OF TRUSTEES

Clayton Young	Chairperson
Mike Studiner	Trustee
Donna von Nieda	Trustee
Diana Scollard	Trustee
Terry Ekwortzel	Trustee
Mike Paseczynk	Trustee
Finis Sandlin	Trustee
Roberta Parrott	Trustee
Eric Esp	Trustee

OFFICIALS

Dustin Sturm	Superintendent
Sara Kerr	Clerk

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
School District Numbers 52 & 52C
Absarokee, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District Numbers 52 & 52C, Absarokee, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the government as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The extracurricular fund schedule and schedule of school district enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

The extracurricular fund schedule and schedule of school district 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 extracurricular fund schedule and schedule of school district 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 November 6, 2014, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
November 6, 2014

SCHOOL DISTRICT NUMBERS 52 & 52C
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of School District Numbers 52 & 52C's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read the information here in conjunction with our financial statements and footnotes which begin on page 7.

FINANCIAL HIGHLIGHTS

- Net position decreased \$82,880 as a result of this year's operations
- Total fund balances increased \$64,711 over the prior year.
- Total cost of all of programs decreased by \$88,232, or 2 percent, with no new programs added this year.
- The general fund reported a decrease in fund balance this year of \$27,991.
- There were no significant budget variances. Expenditures for all the funds were within the adopted budgets.

USING THIS AUDIT REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements One of the most important questions asked about the government's finances is, "Is the district as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 7 and 8) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Fund financial statements The fund financial statements (pages 9 and 11) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 10 and 12, respectively).

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

SCHOOL DISTRICT NUMBERS 52 & 52C
MANAGEMENT'S DISCUSSION & ANALYSIS

THE GOVERNMENT AS A WHOLE

The following net position and changes in net position schedules provide summaries of the district's activities:

NET POSITION:	<u>2014</u>	<u>2013</u>	<u>Inc (Dec)</u>
Current and other assets	\$ 1,806,234	\$ 1,739,373	\$ 66,861
Capital assets	<u>3,618,917</u>	<u>3,772,382</u>	<u>(153,465)</u>
Total assets	<u>5,425,151</u>	<u>5,511,755</u>	<u>(86,604)</u>
Other liabilities	16,168	16,168	-
Long-term liabilities outstanding	<u>120,288</u>	<u>124,012</u>	<u>(3,724)</u>
Total liabilities	<u>136,456</u>	<u>140,180</u>	<u>(3,724)</u>
Net position:			
Net investment in capital assets	3,618,917	3,772,382	(153,465)
Restricted	747,705	690,894	56,811
Unrestricted	<u>922,073</u>	<u>908,299</u>	<u>13,774</u>
	<u>\$ 5,288,695</u>	<u>\$ 5,371,575</u>	<u>\$ (82,880)</u>
CHANGE IN NET POSITION:	<u>2014</u>	<u>2013</u>	<u>Inc (Dec)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 50,244	\$ 50,007	\$ 237
Operating grants and contributions	478,730	516,583	(37,853)
General revenues:			
Taxes	1,261,739	1,335,196	(73,457)
State sources	1,187,424	1,229,796	(42,372)
County sources	446,087	495,536	(49,449)
Interest	3,483	6,420	(2,937)
Contributions and donations	-	23,000	(23,000)
Miscellaneous	94	10,851	(10,757)
Total revenues	<u>3,427,801</u>	<u>3,667,389</u>	<u>(239,588)</u>
Expenses:			
Instruction	2,032,702	1,988,504	44,198
Support services-instructional staff	46,600	60,171	(13,571)
Support services-general administration	174,347	156,448	17,899
Support services-administration	172,230	172,332	(102)
Support services-business	147,087	99,717	47,370
Operation and maintenance	370,852	441,776	(70,924)
Student transportation	261,923	286,527	(24,604)
Food services	158,030	174,888	(16,858)
Community services	14,912	90,784	(75,872)
Extracurricular	<u>131,998</u>	<u>127,766</u>	<u>4,232</u>
Total expenses	<u>3,510,681</u>	<u>3,598,913</u>	<u>(88,232)</u>
Change in net position	(82,880)	68,476	(151,356)
Net position, beginning	<u>5,371,575</u>	<u>5,303,099</u>	<u>68,476</u>
Net position, ending	<u>\$ 5,288,695</u>	<u>\$ 5,371,575</u>	<u>\$ (82,880)</u>

SCHOOL DISTRICT NUMBERS 52 & 52C
MANAGEMENT'S DISCUSSION & ANALYSIS

By far the largest portion of the district's net position (70 percent) reflects its investment in capital assets (land, buildings and machinery and equipment). The district uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

FUND FINANCIAL STATEMENTS

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

General fund fund balance decreased by \$27,991.

Fund balances for the Elementary and High School Bus Depreciation funds increased \$64,535 and \$73,030, respectively. Resources are being accumulated for future bus purchases.

Fund balance in the High School Metal Mine Tax Reserve fund increased \$40,405

The General fund budget was under spent by \$33,628 for the year ended June 30, 2014. There were no other significant budgetary variations for the year ended June 30, 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year, we purchased a reader board and servers/wiring. The district's only debt is compensated absences.

THE GOVERNMENT'S FUTURE

The economic climate of our districts has improved a great deal over the last two years. Our enrollment has leveled out. Being able to use the 3-year averaging for ANB has also helped with the entitlement monies we receive. We have cut costs by reducing the work force due to attrition. Our mill levies passed last year by a favorable margin. We continue to have a technology levy each year which alleviates the burden on the general funds. We continue to keep using other revenue sources such as REAP monies, metal mines monies, and Title monies to help support the general funds. We have no bond payments. We have eased the budgets enough that we are planning to do some small projects this year. We have a very active and progressive board and administration that are financially conscientious while making it a top priority to maintain a high quality of education for our students. They are also continually looking for new revenue sources. Overall, the economic outlook for our districts looks very positive compared to several years ago.

SCHOOL DISTRICT NUMBERS 52 & 52C
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Cash and cash equivalents	\$ 1,760,202
Receivables:	
Property taxes	35,834
Governments	10,198
Capital assets:	
Land and construction in progress	70,500
Capital assets, net of accumulated depreciation	<u>3,548,417</u>
Total assets	<u>5,425,151</u>
LIABILITIES	
Accounts payable	16,168
Long-term liabilities:	
Due within one year:	
Compensated absences	12,029
Due in more than one year:	
Compensated absences	<u>108,259</u>
Total liabilities	<u>136,456</u>
NET POSITION	
Net investment in capital assets	3,618,917
Restricted for:	
Instruction	179,711
Support services:	
School administration	5,928
Student transportation	509,104
Food services	15,112
Capital projects	37,850
Unrestricted	<u>922,073</u>
Total net position	<u>\$ 5,288,695</u>

SCHOOL DISTRICT NUMBERS 52 & 52C
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 2,032,702	\$ 2,851	\$ 301,359	\$ -	\$ (1,728,492)
Support services:					
Instructional staff	46,600	-	-	-	(46,600)
General administration	174,347	-	-	-	(174,347)
School administration	172,230	-	-	-	(172,230)
Business services	147,087	-	-	-	(147,087)
Operation and maintenance	370,852	4,650	-	-	(366,202)
Student transportation	261,923	-	118,161	-	(143,762)
Food services	158,030	42,743	35,195	-	(80,092)
Community services	14,912	-	14,015	-	(897)
Extracurricular	131,998	-	-	10,000	(121,998)
Total	\$ 3,510,681	\$ 50,244	\$ 468,730	\$ 10,000	(2,981,707)
General revenues:					
Property taxes					1,261,739
Intergovernmental:					
State aid					934,876
State other					252,548
County					446,087
Interest					3,483
Miscellaneous					94
Total general revenues					<u>2,898,827</u>
Change in net position					(82,880)
Net position - beginning					<u>5,371,575</u>
Net position - ending					<u>\$ 5,288,695</u>

SCHOOL DISTRICT NUMBERS 52 & 52C
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Elementary Bus Depreciation	High School Bus Depreciation	High School Metal Mines Tax Reserve	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 263,024	\$ 220,100	\$ 183,522	\$ 591,812	\$ 501,744	\$ 1,760,202
Receivables:						
Property taxes	28,229	1,616	2,265	-	3,724	35,834
Governments	-	-	-	-	10,198	10,198
Due from other funds	-	-	-	4,490	-	4,490
Total assets	\$ 291,253	\$ 221,716	\$ 185,787	\$ 596,302	\$ 515,666	\$ 1,810,724
LIABILITIES						
Accounts payable	\$ 14,231	\$ 563	\$ -	\$ -	\$ 1,374	\$ 16,168
Due to other funds	-	-	-	-	4,490	4,490
Total liabilities	14,231	563	-	-	5,864	20,658
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	28,229	1,616	2,265	-	3,724	35,834
Total deferred inflows of resources	28,229	1,616	2,265	-	3,724	35,834
FUND BALANCES (DEFICITS)						
Restricted:						
Instruction	-	-	-	-	178,105	178,105
Support services:						
School administration	-	-	-	-	5,928	5,928
Student transportation	-	219,537	183,522	-	100,046	503,105
Food services	-	-	-	-	15,112	15,112
Capital projects	-	-	-	-	37,850	37,850
Committed:						
Instruction	-	-	-	596,302	172,077	768,379
Unassigned	248,793	-	-	-	(3,040)	245,753
Total fund balances (deficits)	248,793	219,537	183,522	596,302	506,078	1,754,232
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 291,253	\$ 221,716	\$ 185,787	\$ 596,302	\$ 515,666	\$ 1,810,724

SCHOOL DISTRICT NUMBERS 52 & 52C
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances - governmental funds	\$ 1,754,232
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	3,618,917
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	35,834
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not included in the funds.	<u>(120,288)</u>
Net position of governmental activities	<u>\$ 5,288,695</u>

SCHOOL DISTRICT NUMBERS 52 & 52C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Elementary Bus Depreciation	High School Bus Depreciation	High School Metal Mines Tax Reserve	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 986,051	\$ 64,160	\$ 72,780	\$ -	\$ 136,598	\$ 1,259,589
Intergovernmental:						
County	-	-	-	104,392	400,608	505,000
State aid	934,876	-	-	-	-	934,876
State other	415,401	-	-	-	121,415	536,816
Federal	-	-	-	-	125,549	125,549
Charges for services	-	-	-	-	50,244	50,244
Interest	613	375	250	1,148	1,097	3,483
Miscellaneous	94	-	-	-	-	94
Total revenues	2,337,035	64,535	73,030	105,540	835,511	3,415,651
EXPENDITURES						
Current:						
Instruction	1,433,837	-	-	40,690	501,762	1,976,289
Support services:						
Instructional staff	34,374	-	-	-	11,192	45,566
General administration	121,587	-	-	5,699	45,438	172,724
School administration	151,889	-	-	124	18,174	170,187
Business services	128,827	-	-	-	12,279	141,106
Operation and maintenance	297,230	-	-	9,725	51,477	358,432
Student transportation	12,487	-	-	-	173,901	186,388
Food services	76,711	-	-	-	74,776	151,487
Community services	-	-	-	897	14,015	14,912
Extracurricular	101,291	-	-	8,000	11,369	120,660
Capital outlay	2,793	-	-	-	10,396	13,189
Total expenditures	2,361,026	-	-	65,135	924,779	3,350,940
Excess (deficiency) of revenues over expenditures	(23,991)	64,535	73,030	40,405	(89,268)	64,711
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	4,000	4,000
Transfers out	(4,000)	-	-	-	-	(4,000)
Total other financing sources (uses)	(4,000)	-	-	-	4,000	-
Net change in fund balances	(27,991)	64,535	73,030	40,405	(85,268)	64,711
Fund balances - beginning	276,784	155,002	110,492	555,897	591,346	1,689,521
Fund balances - ending	\$ 248,793	\$ 219,537	\$ 183,522	\$ 596,302	\$ 506,078	1,754,232

SCHOOL DISTRICT NUMBERS 52 & 52C
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 change in fund balances - total governmental funds	\$ 64,711
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
This is the amount by which depreciation (\$176,654) exceeded capital outlay (\$13,189) in the current period.	(163,465)
The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net position.	10,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	2,150
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	<u>3,724</u>
Change in net position of governmental activities	<u>\$ (82,880)</u>

SCHOOL DISTRICT NUMBERS 52 & 52C
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 117,857	\$ 18,809
Total assets	117,857	18,809
LIABILITIES		
Accounts payable	-	18,809
Total liabilities	-	\$ 18,809
NET POSITION		
Net position held in trust	\$ 117,857	

SCHOOL DISTRICT NUMBERS 52 & 52C
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 For the Year Ended June 30, 2014

	<u>Private Purpose Trust Fund- Extracurricular</u>
ADDITIONS	
Student extracurricular activities	\$ 172,620
DEDUCTIONS	
Student extracurricular activities	<u>162,915</u>
Change in net position	9,705
Net position - beginning	<u>108,152</u>
Net position - ending	<u><u>\$ 117,857</u></u>

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government's significant accounting policies are described below.

Reporting Entity

The government was established under Montana law to provide educational services below the college and university level to residents of the district. The government consists of two legally separate entities: an elementary district and a high school district. Both are managed by a central Board of Trustees, elected in a district wide election and by a central administration appointed by and responsible to the Board.

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

Although the government consists of two separate statutory entities, it is managed and operated as a single primary government. These financial statements present, as a single reporting entity, all activities of the primary government. A primary government is defined as having a separately elected governing body, being legally separate, and fiscally independent.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

The government reports the following major governmental funds:

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

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

The elementary and high school bus depreciation funds account for the resources accumulated and payments made for the replacement of buses and transportation communications equipment.

The high school metal mines tax reserve fund is used to account for hard rock mining revenues. Money may be expended from this fund for any purpose provided by law.

Additionally, the government reports the following fund types:

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

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

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

Cash and Investments

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

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

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Inventories

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded.

Capital Assets

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

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-80
Machinery and equipment	5-20

Collections Not Capitalized

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

Compensated Absences

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

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

Sick leave is accumulated for classified employees at the rate of 12 days per year with no limit on the carry over amount. Sick leave for certified personnel (teachers) is awarded at 13 days per year up to a cumulative maximum of 90 days. Upon retirement or resignation, classified and certified employees are eligible for sick leave compensation at one fourth of the accumulated amount.

Long-term Obligations

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

Deferred Inflows of Resources

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

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

Net Position

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

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

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

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

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

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balance

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

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

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

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

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

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

The governing body has by resolution authorized the clerk to assign fund balance. There was no assigned fund balance in the general fund.

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The traffic education fund had a deficit fund balance of \$3,040 as of June 30, 2014. The deficit occurred because a traffic education vehicle was purchased in prior years. The deficit will be eliminated as traffic education fees are collected.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Equity in Pooled Cash and Investments

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

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

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 70,500	\$ -	\$ -	\$ 70,500
Construction-in-progress	10,870	-	(10,870)	-
Total capital assets, not being depreciated	<u>81,370</u>	<u>-</u>	<u>(10,870)</u>	<u>70,500</u>
Capital assets, being depreciated				
Buildings/improvements	4,523,663	-	-	4,523,663
Machinery and equipment	1,025,264	34,059	-	1,059,323
Total capital assets, being depreciated	<u>5,548,927</u>	<u>34,059</u>	<u>-</u>	<u>5,582,986</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,490,959)	(70,385)	-	(1,561,344)
Machinery and equipment	(366,956)	(106,269)	-	(473,225)
Total accumulated depreciation	<u>(1,857,915)</u>	<u>(176,654)</u>	<u>-</u>	<u>(2,034,569)</u>
Total capital assets, being depreciated, net	<u>3,691,012</u>	<u>(142,595)</u>	<u>-</u>	<u>3,548,417</u>
Capital assets, net	<u>\$ 3,772,382</u>	<u>\$ (142,595)</u>	<u>\$ (10,870)</u>	<u>\$ 3,618,917</u>

Depreciation expense was charged as follows:

Instruction	\$ 65,974
Support services-general administration	1,623
Support services-administration	1,623
Support services-business	1,623
Operation and maintenance	12,380
Student transportation	75,447
Food services	6,646
Extracurricular	11,338
	<u>\$ 176,654</u>

Interfund Receivables, Payables and Transfers

As of June 30, 2014, the high school traffic education fund owed the high school metal mines reserve fund \$4,490. The \$4,490 balance in the traffic education fund resulted from a loan made to purchase a traffic education car. The balance will be repaid next year.

For the year ended June 30, 2014, \$4,000 was transferred from the general fund to the compensated absence funds to pay accumulated vacation and sick leave for classified and administrative employees upon termination.

Operating Lease

The government leases its computer printers under a noncancelable operating lease. Total rental expense for the operating lease was \$16,116 for the year ended June 30, 2014. Scheduled minimum rental payments for the final year are \$16,116.

Long-Term Debt

Compensated absences decreased \$3,724 from \$124,012 to \$120,288. \$12,029 is considered short term.

SCHOOL DISTRICT NUMBERS 52 & 52C
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION

Risk Management

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

Interlocal Cooperative

The government participates with other school districts in the Stillwater/Sweetgrass Education Cooperative. The Cooperative provides special education services to its member schools.

Contingencies

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

Retirement Plans

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

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

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

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

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

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

SCHOOL DISTRICT NUMBERS 52& 52C
NOTES TO BASIC FINANCIAL STATEMENTS

The State of Montana contributes .37% and 2.49% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana TRS (\$35,595) contribution has been recorded in the financial statements.

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

	2014	2013	2012
TRS	\$ 265,548	\$ 209,428	\$ 217,583
PERS	56,757	50,874	49,847
	\$ 322,305	\$ 260,302	\$ 267,430

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBERS 52 & 52C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 998,738	\$ 998,738	\$ 986,051	\$ -	\$ 986,051
Intergovernmental:					
State aid	934,876	934,876	934,876	-	934,876
State other	373,949	373,949	379,806	35,595	415,401
Interest	937	937	613	-	613
Miscellaneous	47	47	94	-	94
Total revenues	<u>2,308,547</u>	<u>2,308,547</u>	<u>2,301,440</u>	<u>35,595</u>	<u>2,337,035</u>
EXPENDITURES					
Total expenditures	<u>2,359,059</u>	<u>2,359,059</u>	<u>2,325,431</u>	<u>35,595</u>	<u>2,361,026</u>
Excess (deficiency) of revenues over expenditures	<u>(50,512)</u>	<u>(50,512)</u>	<u>(23,991)</u>	<u>-</u>	<u>(23,991)</u>
OTHER FINANCING USES					
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
Total other financing uses	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
Net change in fund balances	<u>\$ (54,512)</u>	<u>\$ (54,512)</u>	<u>(27,991)</u>	<u>-</u>	<u>(27,991)</u>
Fund balances - beginning			<u>276,784</u>	<u>-</u>	<u>276,784</u>
Fund balances - ending			<u>\$ 248,793</u>	<u>\$ -</u>	<u>\$ 248,793</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

State law requires budgets be prepared for certain funds - generally those supported by property tax revenues. Budgets are prepared on the modified accrual basis. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law. There were no budget amendments during the year.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board of Trustees approves the original budget not later than August 25th.

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

A budget is not adopted for the high school metal mines tax reserve fund (a major special revenue fund) because it is not legally required and, therefore, presentation of budgetary comparison information is not required.

SCHOOL DISTRICT NUMBERS 52 & 52C
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 ELEMENTARY BUS DEPRECIATION FUND
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 64,700	\$ 64,700	\$ 64,160	\$ -	\$ 64,160
Interest	-	-	375	-	375
Total revenues	<u>64,700</u>	<u>64,700</u>	<u>64,535</u>	<u>-</u>	<u>64,535</u>
EXPENDITURES					
Total expenditures	<u>223,526</u>	<u>223,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (158,826)</u>	<u>\$ (158,826)</u>	64,535	-	64,535
Fund balances - beginning			<u>155,002</u>	-	<u>155,002</u>
Fund balances - ending			<u>\$ 219,537</u>	<u>\$ -</u>	<u>\$ 219,537</u>

See notes to required supplementary information at page 22.

SCHOOL DISTRICT NUMBERS 52 & 52C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
HIGH SCHOOL BUS DEPRECIATION FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Property taxes	\$ 75,227	\$ 75,227	\$ 72,780	\$ -	\$ 72,780
Interest	-	-	250	-	250
Total revenues	<u>75,227</u>	<u>75,227</u>	<u>73,030</u>	<u>-</u>	<u>73,030</u>
EXPENDITURES					
Total expenditures	<u>182,458</u>	<u>182,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (107,231)</u>	<u>\$ (107,231)</u>	73,030	-	73,030
Fund balances - beginning			<u>110,492</u>	<u>-</u>	<u>110,492</u>
Fund balances - ending			<u>\$ 183,522</u>	<u>\$ -</u>	<u>\$ 183,522</u>

See notes to required supplementary information at page 22.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBERS 52 AND 52C
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

Activity	Balance July 1, 2013	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2014
Student Council	\$ 1,309	\$ 906	\$ 1,172	\$ -	\$ 1,043
Athletics	11,122	39,391	32,433	50	18,130
FFA	11,271	11,532	6,405	(1,020)	15,378
FCCLA	6,790	4,860	3,963	1,020	8,707
Pep Club	170	400	314	-	256
Class of 2019	289	44	-	-	333
Class of 2020	684	108	342	(342)	108
Class of 2014	2,553	2	982	(536)	1,037
Class of 2015	134	1,009	2,542	5,909	4,510
Class of 2016	21	33	54	-	-
Class of 2017	1	23	24	-	-
Elementary Activity	2,325	2,610	2,643	-	2,292
Cunningham Scholarship	3,375	1,002	500	-	3,877
National Honor Society	2,688	4,335	4,198	(323)	2,502
Annual	1,981	4,709	4,065	342	2,967
Band	3,562	5,631	6,030	-	3,163
Chorus	2,953	3,931	2,232	-	4,652
BPA	8,480	11,230	12,117	491	8,084
Shop Fund	2,062	1,857	953	-	2,966
Close Up	1,875	15,404	15,557	-	1,722
Drama	2,381	643	1,199	-	1,825
Honor Band	824	1,000	1,874	718	668
Concessions	-	12,209	7,008	(5,201)	-
Clearing Account	-	-	188	188	-
Playground	558	3,002	-	-	3,560
MTI/TIP	1,294	1	93	-	1,202
Junior High Magazine	136	776	876	-	36
Tournament Fund	995	15,452	16,004	40	483
Instrument Rent Fund	1,546	719	116	-	2,149
Golf	2,061	1,502	185	-	3,378
Junior High Wrestling	112	-	-	-	112
Environmental Stewardship	4,235	502	-	250	4,987
Cheerleaders	326	1,029	858	-	497
School to Work	13,428	2,568	17,331	2,000	665
MBI	58	951	603	-	406
FFA Greenhouse	6,090	4,547	4,555	-	6,082
Softball	319	1	1	-	319
Volleyball Fundraising	795	1,141	555	(70)	1,311
Girls Basketball Fundraising	2,812	2,706	3,537	70	2,051
Football Fundraising	878	821	1,001	-	698
Box Tops for Education	2,818	666	815	-	2,669
FCCLA Coffee Corner	2,118	3,938	2,616	(1,500)	1,940
ACT Testing Reimb	615	-	214	-	401
Winter Concessions	-	8,312	6,429	(1,883)	-
Junior High Concessions	108	1,117	331	(203)	691
Total	\$ 108,152	\$ 172,620	\$ 162,915	\$ -	\$ 117,857

SCHOOL DISTRICT NUMBERS 52& 52C
 SCHEDULE OF SCHOOL DISTRICT ENROLLMENT
 For the Year Ended June 30, 2014

	<u>Reported Enrollment</u>	<u>Enrollment per Records</u>	<u>Difference</u>
FALL ENROLLMENT - October 2013			
<u>Elementary District</u>			
Kindergarten	20	20	-
Grades one through six	107	107	-
Grades seven and eight	49	49	-
	<u>176</u>	<u>176</u>	<u>-</u>
 <u>High School District</u>			
Grades nine through twelve	<u>78</u>	<u>78</u>	<u>-</u>
 WINTER ENROLLMENT - December 2013			
<u>Elementary District</u>			
Kindergarten	19	19	-
Grades one through six	104	104	-
Grades seven and eight	50	50	-
	<u>173</u>	<u>173</u>	<u>-</u>
 <u>High School District</u>			
Grades nine through twelve	<u>76</u>	<u>76</u>	<u>-</u>
 SPRING ENROLLMENT - February 2014			
<u>Elementary District</u>			
Kindergarten	19	19	-
Grades one through six	105	105	-
Grades seven and eight	50	50	-
	<u>174</u>	<u>174</u>	<u>-</u>
 <u>High School District</u>			
Grades nine through twelve	<u>73</u>	<u>73</u>	<u>-</u>

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

ERNEST J. OLNESS, CPA

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

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

To the Board of Trustees
School District Numbers 52 & 52C
Absarokee, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District Numbers 52 & 52C, Absarokee, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated November 6, 2014. The report on governmental activities was qualified because the government did not record its other post employment benefit (OPEB) liability and related expense.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (Findings 2014-001 through 2014-003)

Compliance and Other Matters

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

The Government's Response to Findings

The government did not respond to the findings identified in our audit as described in the accompanying schedule of findings. Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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

Purpose of this Report

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

O'Leary & Associates, PC

Billings, Montana
November 6, 2014

SCHOOL DISTRICT NUMBERS 52 & 52C
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

2014-002. SEGREGATION OF DUTIES

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

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

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

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

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

2014-003. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

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

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

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

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

SCHOOL DISTRICT NUMBERS 52 & 52C
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-3. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED