

**SCHOOL DISTRICT NUMBER 41
GALLATIN COUNTY
BOZEMAN, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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SCHOOL DISTRICT NUMBER 41

ORGANIZATION

June 30, 2014

BOARD OF TRUSTEES

Chris Catlett	Chairperson
Warren Bauder	Vice-chairperson
Kerrl Budeski Norick	Trustee
Scott Stroh	Trustee
Mary Fran San Soucie	Trustee

OFFICIALS

Jeff Blessum	Superintendent
Tanya Roberts	Clerk/business manager

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
School District Number 41
Bozeman, 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 Number 41, Bozeman, 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.

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 the government, 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, budgetary comparison information, the schedule of funding progress-other post employment benefits and the schedule of funding progress-service credit and termination pay benefits 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 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 13, 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 13, 2014

SCHOOL DISTRICT NUMBER 41
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the School District Number 41'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 8.

FINANCIAL HIGHLIGHTS

- Net position increased \$1,950 as a result of this year's operations.
- The general fund reported a decrease in fund balance this year of \$9,092.
- The district spent the entire general fund budget.

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 funds, 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 8 and 9) 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 net position and changes in it. You can think of net position—the difference between assets and liabilities—as one way to measure the government's financial health, or financial position. 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 10 and 12) 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 11 and 13, 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.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, net position increased by \$1,950 or less than 1 percent. Following are schedules of net position and changes in net position:

SCHOOL DISTRICT NUMBER 41
MANAGEMENT'S DISCUSSION & ANALYSIS

NET POSITION	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and other assets	\$ 423,966	\$ 527,514	\$ (103,548)
Capital assets	<u>1,929,231</u>	<u>1,932,437</u>	<u>(3,206)</u>
Total assets	<u>2,353,197</u>	<u>2,459,951</u>	<u>(106,754)</u>
Other liabilities	5,722	25,451	(19,729)
Long-term liabilities	<u>768,990</u>	<u>857,965</u>	<u>(88,975)</u>
Total liabilities	<u>774,712</u>	<u>883,416</u>	<u>(108,704)</u>
Net position			
Net investment in capital assets	1,333,252	1,246,158	87,094
Restricted	263,321	290,658	(27,337)
Unrestricted	<u>(18,088)</u>	<u>39,719</u>	<u>(57,807)</u>
	<u>\$ 1,578,485</u>	<u>\$ 1,576,535</u>	<u>\$ 1,950</u>
 CHANGE IN NET POSITION:			
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 155,231	\$ 155,821	\$ (590)
Operating grants and contributions	419,450	354,270	65,180
Capital grants and contributions	25,500	32,580	(7,080)
General revenues:			
Taxes	542,065	497,910	44,155
State sources	969,452	886,002	83,450
County sources	198,500	151,392	47,108
Interest	3,931	4,650	(719)
Miscellaneous	<u>1,914</u>	<u>496</u>	<u>1,418</u>
Total revenues	<u>2,316,043</u>	<u>2,083,121</u>	<u>232,922</u>
Expenses:			
Instruction	1,434,597	1,269,282	165,315
Support services-students	40,874	39,200	1,674
Support services-instructional staff	62,276	66,242	(3,966)
Support services-general administration	11,272	9,015	2,257
Support services-administration	181,736	156,506	25,230
Support services-business	94,029	89,397	4,632
Operation and maintenance	159,972	146,031	13,941
Student transportation	57,011	56,260	751
Food services	121,009	118,506	2,503
Extracurricular	11,202	15,004	(3,802)
Interest on long-term debt	21,570	43,161	(21,591)
Intergovernmental	<u>118,545</u>	<u>84,570</u>	<u>33,975</u>
Total expenses	<u>2,314,093</u>	<u>2,093,174</u>	<u>220,919</u>
Change in net position	1,950	(10,053)	12,003
Net position, beginning	<u>1,576,535</u>	<u>1,586,588</u>	<u>(10,053)</u>
Net position, ending	<u>\$ 1,578,485</u>	<u>\$ 1,576,535</u>	<u>\$ 1,950</u>

SCHOOL DISTRICT NUMBER 41
MANAGEMENT'S DISCUSSION & ANALYSIS

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, 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 \$9,092 over the prior year, mainly due to liquidating prior year encumbrances.

Bus Depreciation fund fund balance increased \$32,561. Property taxes are levied each to fund future bus purchases.

Retirement fund fund balance decreased \$34,757. The decrease was due to using available fund balance to fund current year operations.

Fund balance for the Miscellaneous Programs fund decreased \$39,225. The decrease was due to using available fund balance to fund current year operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year, the district purchased a new floor scrubber and finished the school security remodel.

The district's debt consists of general obligation bonds, capital leases and compensated absences. For more information related to long-term liabilities, see the notes to the basic financial statements.

THE GOVERNMENT'S FUTURE

Anderson Public School continues to be a progressive school that keeps the main thing the main thing – student achievement. The Spring 2013 State Assessments revealed excellent achievement in reading and math. 99% of the students in grades 3rd - 8th scored at the proficient or advanced level in reading. 99% of the students in grades 3rd - 8th scored at the proficient or advanced level in math. Future planning and development of the Anderson School's Five Year Comprehensive Educational Plan involves writing achievable goals relating to math, reading, writing skills, Indian Education for All and student behavior.

The Gifted and Talented/Extended Studies program at Anderson School has several components that serve specific identified students and provide enrichment on the whole-school level. To meet the needs of identified students, Anderson provides an accelerated math program starting in fourth grade that allows students to take geometry in the eighth grade. Identified students also participate in Extended Studies and Independent Studies projects that are student determined and teacher designed. These are opportunities to develop critical and creative thinking skills in both group and individual settings. There are also whole-school enrichment options. In the seventh and eighth grades, students participate in Extension classes: eight-week mini-courses that students elect to take each trimester such as Sculpture, Video Production, Wetland Ecology, Paleontology, and much more. The Extended Studies program also organizes a yearly Academic Fair where students choose to participate in a Science Fair, Invention Convention, or Juried Art Show. This is an opportunity for students to explore a topic of their choice and create projects that are designed around three core principles: develop research/investigation skills; construct an "authentic" project; participate in a public performance. This effective program will continue to be a priority for Anderson School.

Anderson School has adopted an RTI (Response to Intervention) model to ensure that all students in grades K-6 have opportunities to reach their full potential in the curricular areas of reading and math. Students continue to make progress as evidenced by our DIBELS, AIMSweb and CRT scores. Teachers have received extensive training in the essential components of RTI and attend bi-monthly meetings to ensure that professional development needs are addressed. We have been targeted as a model school and have had several schools visit to observe the effectiveness of our system. We have been successful in convincing our school board to add RTI into the Board Policy to ensure the continuation and support of this model. We have worked to inform parents about RTI through newsletter articles, school board presentations and providing information at conference time. We continue to refine the model for reading and have begun to implement a 3-tiered model for providing math instruction for students in grades K-6. Additionally, a goal of our PBS team is to develop a 3-tiered approach to behavior through a positive behavior support model and addressing the needs of our identified gifted students.

The mission of the Anderson School Fine Arts Program is to provide a comprehensive education in the Arts for every student. The desired result is to prepare aesthetically literate citizens who are lifelong producers and consumers of all of the Arts.

Anderson School believes music is a basic expression of human culture, and a part of the fabric of our society. Performing, singing, playing instruments, moving to music, and creating music enable the students to acquire skills and knowledge that can be developed in no other way. Further, to participate fully in a diverse, global society, students must understand their own historical and cultural heritage and those of others within their communities and beyond. Every human culture uses music to carry forward its ideas and ideals. Skills learned through the discipline of music transfer to study skills, communication skills, and cognitive skills useful in every part of the curriculum. The music program at Anderson School provides numerous opportunities for all students to actively participate

SCHOOL DISTRICT NUMBER 41
MANAGEMENT'S DISCUSSION & ANALYSIS

in this art form.

The Anderson School Library serves students in grades Kindergarten through 8th grade and staff members. Materials support the curriculum and students' recreational reading needs. Reading levels of the 11,500 plus books range from very beginning readers through advanced. In 2010, over 250 books and DVD's were purchased to support Indian Education for All. All students come to the library at least once a week for library related instruction and they are welcome to use the library at other times, if there is not a class scheduled already. Goals for upcoming years include continuing to add quality materials that appeal to all ages and reading levels and continuing to instruct students in information skills.

Students and teachers use a wide variety of technology in their classrooms. There are three mobile labs of 25 laptops and two mobile iPad labs for students. Each teacher has a laptop and an iPad for their use. Two video cameras are available for student and teacher use. Each classroom has a digital camera to use with their students as well. The building has wired and wireless capabilities. Eight of the nine classrooms are equipped with audio integration systems. These multi-media speaker systems not only assist in improving the success of our hearing impaired, but use of the audio technology has proven to benefit all students. Two classrooms have Smart Boards with projectors. There is a Smart Board on wheels as well as two other projectors for classroom use. Goals for upcoming years include looking for grants to upgrade desktop computers in the lab and applying current practices with students.

At this time, there are no new housing developments that would affect Anderson's tax base. Green Hill's Ranch is the latest housing development. Anderson's student enrollment reflects this trend. The 2013-2014 enrollment was 205 students K-8. Our beginning enrollment for the 2014-15 School Year is 199 students and approximately 1/3 of our students live out-of-district.

SCHOOL DISTRICT NUMBER 41
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Cash and cash equivalents	\$ 388,690
Receivables:	
Property taxes	17,556
Governments	12,320
Prepays	5,400
Capital assets:	
Capital assets, net of accumulated depreciation	<u>1,929,231</u>
 Total assets	 <u>2,353,197</u>
 LIABILITIES	
Accounts payable and accrued expenses	322
Unearned revenues	5,400
Long-term liabilities:	
Due within one year:	
Bonds and capital leases	96,044
Compensated absences	9,110
Due in more than one year:	
Bonds and capital leases	499,935
Compensated absences	81,992
Service credit and termination pay benefits	9,278
Other postemployment benefits	<u>72,631</u>
 Total liabilities	 <u>774,712</u>
 NET POSITION	
Net Investment in capital assets	1,333,252
Restricted for:	
Instruction	57,000
Support services:	
Students	1,228
Instructional staff	1,492
School administration	6,305
Business services	1,747
Operation and maintenance	8,974
Student transportation	146,982
Food services	1,664
Extracurricular	448
Debt service	37,481
Unrestricted	<u>(18,088)</u>
 Total net position	 <u>\$ 1,578,485</u>

SCHOOL DISTRICT NUMBER 41
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	\$ 1,434,597	\$ 68,802	\$ 274,018	\$ -	\$ (1,091,777)
Support services:					
Students	40,874	-	-	-	(40,874)
Instructional staff	62,276	-	200	-	(62,076)
General administration	11,272	-	-	-	(11,272)
School administration	181,736	-	-	-	(181,736)
Business services	94,029	-	-	-	(94,029)
Operation and maintenance	159,972	-	-	25,500	(134,472)
Student transportation	57,011	8,923	9,964	-	(38,124)
Food services	121,009	77,506	16,723	-	(26,780)
Extracurricular	11,202	-	-	-	(11,202)
Interest	21,570	-	-	-	(21,570)
Intergovernmental	118,545	-	118,545	-	-
Total	\$ 2,314,093	\$ 155,231	\$ 419,450	\$ 25,500	(1,713,912)
General revenues:					
Property taxes					542,065
Intergovernmental:					
State aid					897,258
State other					72,194
County					198,500
Interest					3,931
Miscellaneous					1,914
Total general revenues					1,715,862
Change in net position					1,950
Net position - beginning					1,576,535
Net position - ending					\$ 1,578,485

SCHOOL DISTRICT NUMBER 41
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Bus Depreciation	Retirement	Miscellaneous Programs	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 131,965	\$ 138,043	\$ 63,976	\$ 10,656	\$ 44,050	\$ 388,690
Receivables:						
Property taxes	12,396	934	-	-	4,226	17,556
Governments	-	-	6,557	5,763	-	12,320
Prepaid items	-	-	-	5,400	-	5,400
Total assets	\$ 144,361	\$ 138,977	\$ 70,533	\$ 21,819	\$ 48,276	\$ 423,966
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 322	\$ -	\$ -	\$ 322
Unearned revenue	-	-	-	5,400	-	5,400
Total liabilities	-	-	322	5,400	-	5,722
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	12,396	934	-	-	4,226	17,556
Total deferred inflows of resources	12,396	934	-	-	4,226	17,556
FUND BALANCES						
Nonspendable:						
Prepaid items	-	-	-	5,400	-	5,400
Restricted:						
Instruction	-	-	53,702	-	2,567	56,269
Support services:						
Students	-	-	1,228	-	-	1,228
Instructional staff	-	-	1,492	-	-	1,492
School administration	-	-	6,305	-	-	6,305
Business services	-	-	1,747	-	-	1,747
Operation and maintenance	-	-	2,128	-	6,343	8,471
Student transportation	-	138,043	896	-	6,549	145,488
Food services	-	-	1,664	-	-	1,664
Community services	-	-	601	-	-	601
Extracurricular	-	-	448	-	-	448
Debt service	-	-	-	-	35,157	35,157
Committed:						
Instruction	-	-	-	11,019	560	11,579
Support services:						
Operation and maintenance	-	-	-	-	20	20
Unassigned	131,965	-	-	-	(7,146)	124,819
Total fund balances	131,965	138,043	70,211	16,419	44,050	400,688
Total liabilities, deferred inflows of resources and fund balances	\$ 144,361	\$ 138,977	\$ 70,533	\$ 21,819	\$ 48,276	\$ 423,966

See notes to basic financial statements.

SCHOOL DISTRICT NUMBER 41
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances, governmental funds	\$ 400,688
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.	1,929,231
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	17,556
Compensated absences, bonds, capital leases, service credit and termination pay benefits and other post employment benefits are not due and payable in the current period and, therefore, are not included in the funds.	<u>(768,990)</u>
Net position of governmental activities	<u>\$ 1,578,485</u>

SCHOOL DISTRICT NUMBER 41
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Bus Depreciation	Retirement	Miscellaneous Programs	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 383,144	\$ 31,667	\$ -	\$ -	\$ 125,756	\$ 540,567
Intergovernmental:						
County	-	-	198,500	-	4,982	203,482
State aid	897,258	-	-	-	-	897,258
State other	163,640	-	-	14,608	46,764	225,012
Federal	-	-	-	221,615	16,723	238,338
Tuition	68,241	-	-	-	-	68,241
Charges for services	-	-	-	-	86,990	86,990
Interest	1,920	894	324	-	793	3,931
Miscellaneous	-	-	-	49,260	1,466	50,726
Total revenues	1,514,203	32,561	198,824	285,483	283,474	2,314,545
EXPENDITURES						
Current:						
Instruction	1,025,783	-	178,656	157,531	16,112	1,378,082
Support services:						
Students	35,927	-	4,087	139	-	40,153
Instructional staff	45,361	-	6,964	-	7,903	60,228
General administration	11,272	-	-	-	-	11,272
School administration	167,228	-	20,975	-	7,131	195,334
Business services	87,321	-	5,811	-	-	93,132
Operation and maintenance	125,729	-	7,080	-	67,658	200,467
Student transportation	-	-	2,981	-	38,128	41,109
Food services	3,762	-	5,535	-	109,017	118,314
Extracurricular	9,710	-	1,492	-	-	11,202
Capital outlay	10,655	-	-	48,493	7,687	66,835
Debt service:						
Principal	-	-	-	-	90,300	90,300
Interest and other charges	-	-	-	-	21,570	21,570
Intergovernmental	-	-	-	118,545	-	118,545
Total expenditures	1,522,748	-	233,581	324,708	365,506	2,446,543
Excess (deficiency) of revenues over expenditures	(8,545)	32,561	(34,757)	(39,225)	(82,032)	(131,998)
OTHER FINANCING SOURCES (USES)						
Insurance proceeds	-	-	-	-	46,681	46,681
Transfers in	-	-	-	-	6,547	6,547
Transfers out	(547)	-	-	-	(6,000)	(6,547)
Total other financing sources and (uses)	(547)	-	-	-	47,228	46,681
Net change in fund balances	(9,092)	32,561	(34,757)	(39,225)	(34,804)	(85,317)
Fund balances - beginning	141,057	105,482	104,968	55,644	78,854	486,005
Fund balances - ending	\$ 131,965	\$ 138,043	\$ 70,211	\$ 16,419	\$ 44,050	\$ 400,688

See notes to basic financial statements.

SCHOOL DISTRICT NUMBER 41
 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	\$ (85,317)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as 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 (\$70,041) exceeded capital outlay (\$66,835) in the current period.	(3,206)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,498
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of these transactions follows:</p>	
Debt principal repayments	90,300
<p>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:</p>	
Compensated absences	10,059
Other post employment benefits	(13,245)
Service credit and termination pay benefits	1,861
	1,950
Change in net position of governmental activities	\$ 1,950

SCHOOL DISTRICT NUMBER 41
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose Trust Fund- Extracurricular	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 18,893	\$ 32,897
Total assets	18,893	\$ 32,897
LIABILITIES		
Accounts payable	-	\$ 32,897
Total liabilities	-	\$ 32,897
NET POSITION		
Net position held in trust	\$ 18,893	

SCHOOL DISTRICT NUMBER 41
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

	<u>Private Purpose Trust Fund- Extracurricular</u>
ADDITIONS	
Contributions:	
Student extracurricular activities	<u>\$ 105,506</u>
Total contributions	<u>105,506</u>
Investment earnings:	
Interest	<u>170</u>
Total investment earnings	<u>170</u>
Total additions	<u>105,676</u>
DEDUCTIONS	
Student extracurricular activities	<u>108,058</u>
Total deductions	<u>108,058</u>
Change in net position	(2,382)
Net position - beginning	<u>21,275</u>
Net position - ending	<u><u>\$ 18,893</u></u>

SCHOOL DISTRICT NUMBER 41
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 a kindergarten through eighth which 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.

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.

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 bus depreciation fund accounts for property taxes and payments made for the replacement of buses and two-way radios.

The retirement fund accounts for the resources accumulated from a countywide retirement levy and the district's share of TRS, PERS, unemployment and Social Security and Medicare.

The miscellaneous programs fund accounts for the resources accumulated and payments made for federal and state grants, entitlements and donations.

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 accounts, 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

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 and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

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 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>
Land improvements	20-60
Building and improvements	25-80
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 12 days per year up to a cumulative maximum of 90 days. Upon retirement or resignation, classified employees are eligible for sick leave compensation at one fourth of the accumulated amount and certified employees are eligible for 100 percent of the accumulated amount paid at the current substitute teacher rate.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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/business manager, superintendent and/or board of trustees to assign fund balance. Assigned fund balance in the general fund represents year-end encumbrances.

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.

Deficit Fund Equity

The school food (\$7,038) and technology (\$108) funds had deficit fund balances as of June 30, 2014. The deficits occurred because current year expenditures exceeded revenues. Management is evaluating how to eliminate the deficits.

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 accounts, 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 accounts 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

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

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 Gallatin County Treasurer.

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				
Construction-in-progress	\$ 19,665	\$ -	\$ (19,665)	\$ -
Total capital assets, not being depreciated	19,665	-	(19,665)	-
Capital assets, being depreciated				
Buildings/improvements	\$ 2,154,571	\$ 71,564	\$ -	\$ 2,226,135
Improvements other than buildings	128,565	-	-	128,565
Machinery and equipment	304,795	14,936	-	319,731
Total capital assets, being depreciated	2,587,931	86,500	-	2,674,431
Less accumulated depreciation for:				
Buildings/improvements	(501,049)	(32,137)	-	(533,186)
Improvements other than buildings	(52,548)	(3,754)	-	(56,302)
Machinery and equipment	(121,562)	(34,150)	-	(155,712)
Total accumulated depreciation	(675,159)	(70,041)	-	(745,200)
Capital assets, net	\$ 1,932,437	\$ 16,459	\$ (19,665)	\$ 1,929,231

Depreciation expense was charged as follows:

Instruction	\$ 44,229
Support services-students	244
Support services-instructional staff	1,994
Support services-administration	619
Support services-business	575
Operation and maintenance	3,319
Student transportation	15,890
Food services	3,171
	<u>\$ 70,041</u>

Interfund Transfers

Interfund transfers consisted of the transportation and adult education funds transferring \$6,000 to the building reserve fund for school security updates as allowed by Senate Bill 348. Additionally, transfers from the general fund to the compensated absences fund (\$547) were made to fund future payout of accumulated leave for administrative and classified staff.

Operating Leases

The government leases two copiers under noncancelable operating leases. Total rental expense for operating leases was \$7,500 for the year ended June 30, 2014. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year	Amount
2015	\$ 7,500
2016	7,500
2017	7,500
2018	1,875

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Leases

The government has entered into a capital lease agreement under which the related equipment will become the property of the government when all terms of the lease agreements are met. Assets acquired through capital leases are as follows:

Machinery and equipment	\$ 43,545
Less: accumulated depreciation	<u>(15,967)</u>
	<u>\$ 27,578</u>

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2014, are as follows:

	<u>Year ending June 30,</u>			
	2015	\$	12,448	
	2016		12,444	
	2017		<u>3,110</u>	
Total minimum lease payments			28,002	
Less: amount representing interest			<u>(2,023)</u>	
Present value of minimum lease payments		\$	<u>25,979</u>	

Long-Term Debt

On April 14, 2011, the government issued \$805,000 in general obligation refunding bonds with interest rates ranging between 1.00% and 3.30%. Refunding general obligation bonds currently outstanding are as follows:

	<u>Original Amount</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Balance June 30, 2014</u>
2011 general obligation refunding bonds	\$ 805,000	9 yr	1.00-3.30%	<u>\$ 570,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2015	\$ 85,000	\$ 16,275	\$ 101,275
	2016	90,000	13,725	103,725
	2017	90,000	11,520	101,520
	2018	100,000	9,315	109,315
	2019	100,000	6,565	106,565
	2020	<u>105,000</u>	<u>3,465</u>	<u>108,465</u>
		<u>\$ 570,000</u>	<u>\$ 60,865</u>	<u>\$ 630,865</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 650,000	\$ -	\$ (80,000)	\$ 570,000	\$ 85,000
Capital leases	36,279	-	(10,300)	25,979	11,044
Compensated absences	101,161	-	(10,059)	91,102	9,110
Total long-term liabilities	<u>\$ 787,440</u>	<u>\$ -</u>	<u>\$ (100,359)</u>	<u>\$ 687,081</u>	<u>\$ 105,154</u>

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

Compensated absences are generally liquidated by the general fund, general obligation bonds by the debt service fund and capital leases by the general and technology funds.

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 located in Gallatin and Madison County in the Gallatin-/Madison County Special Education Cooperative. The Cooperative provides special education services to its member schools.

Subsequent Events

Subsequent to year-end, the government obtained an INTERCAP loan through the Montana Board of Investments. The loan was for \$33,000 with an interest rate of 1 percent. The loan was used to purchase technology equipment. Repayment is for three years.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts of approximately \$5,000, primarily for maintenance projects.

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:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
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

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

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)

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 contributions (\$24,554) 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	\$ 215,082	\$ 156,440	\$ 151,382
PERS	26,098	20,400	18,124
	\$ 241,180	\$ 176,840	\$ 169,506

Service Credit and Termination Pay Benefit Plan

The Service Credit and Termination Pay Benefit Plan (the "Plan") is a single-employer, defined-benefit plan covering employees that belong to the Anderson Education Association (AEA). The Plan was established by the Board of Trustees through a negotiated agreement. The Plan does not issue a separate report. Anderson School District No. 41 does not prefund the Plan, but finances it on a pay-as-you-go-basis. Following is a summary of Plan benefit provisions:

Longevity Payment - Plan A

- Eligibility At least 16 years of service with at a level of 0.5 FTE or above. Notification of intent to retire must be submitted in writing to the Superintendent by May 1st of the academic year that precedes the employee's final teaching year.
- Benefit A single amount of \$5,000 is payable upon termination or retirement.
- Form of Benefit Two equal payments of \$2,500 (totaling \$5,000) will be paid to eligible employees. The first payment will be made payable on September 5th in the academic year following the employee's final teaching year. The second payment is to be made on September 5th of the subsequent year.

Longevity Payment - Plan B

- Eligibility At least 25 years of service with at a level of 0.5 FTE or above. Notification of intent to retire must be submitted in writing to the Superintendent by May 1st of the academic year that precedes the employee's final teaching year.
- Benefit A single amount of \$7,500 is payable upon termination or retirement.
- Form of Benefit Two equal payments of \$3,750 (totaling \$7,500) will be paid to eligible employees. The first payment will be made payable on September 5th in the academic year following the employee's final teaching year. The second payment is to be made on September 5th of the subsequent year.

Annual pension cost and net pension obligation for the current year is as follows:

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

Annual required contribution	\$ 4,333
Interest on net Pension obligation	501
Adjustment to annual required contribution	<u>(686)</u>
Annual pension cost	4,148
Contributions made	<u>(6,009)</u>
Change in net pension obligation	(1,861)
Net pension obligation-beginning of year	<u>11,139</u>
Net pension obligation-end of year	<u><u>\$ 9,278</u></u>

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. This cost method spreads past service liabilities over the specified amortization period. The district has selected a closed 30-year amortization period, which means at the end of the 30-year period, June 30, 2042; the initial unfunded liability will be fully amortized and will no longer be a component of the ARC after that time.

The portion of this actuarial present value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability (AAL). The excess of the AAL over the actuarial value of the assets, if any, is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of present employees covered by the Plan. The amortization payments of the UAAL assume that contributions are made as a level percentage of pay for a period of years. In accordance with GASB Statement 27 guidelines, the maximum amortization period for the UAAL is 40 years for the first ten years following the effective date of the Statement, June 15, 1997. For Anderson School District No. 41, this was until June 30, 2006. Effective fiscal year 2007, the maximum amortization period for GASB Statement 27 purposes is 30 years. The benefits from both the Longevity Payment - Plan A and Longevity Payment - Plan B are computed separately, but reported as one cost rate for purposes of determining the ARC.

The actuarial assumptions include an annual discount rate of 4.5% per year.

The government's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for fiscal year 2014 and the preceding two years are as follows:

Year Ended June 30,	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
2012	\$ 4,130	0%	\$ 11,825
2013	4,143	0%	11,139
2014	4,148	0%	9,278

Postemployment Benefits Other Than Pensions

Plan Description. The government provides postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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 changes in the government's net OPEB obligation to the plan:

SCHOOL DISTRICT NUMBER 41
NOTES TO BASIC FINANCIAL STATEMENTS

Annual required contribution	\$ 18,091
Interest on net OPEB obligation	2,672
Adjustment to annual required contribution	<u>(3,657)</u>
Annual OPEB cost	17,106
Contributions made	<u>(3,861)</u>
Change in OPEB obligation	13,245
Net OPEB obligation - beginning of year	<u>59,386</u>
Net OPEB obligation - end of year	<u><u>\$ 72,631</u></u>

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding two years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2012	\$ 15,290	0%	\$ 43,774
2013	17,389	0%	59,386
2014	17,106	0%	72,631

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was \$121,200, and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$121,200.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, which is required to be presented as supplementary information following the notes to the financial statements, will be included in future financial statements when multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

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

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on the RP 2000 Combined Healthy Generational Table. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2010 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 9.0 percent, grading to 5 percent over 8 years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.5 percent for both those less than 65 years of age and those older than 65 years of age. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.50 percent. Estimated participation is based on the assumption that 30 percent of future retirees will elect medical coverage. The value of plan assets was set at market value. The UAAL is amortized over a thirty-year period using a 4.50 percent interest rate with no payroll growth rate.

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 NUMBER 41
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	\$ 384,862	\$ 384,862	\$ 383,144	\$ -	\$ 383,144
Intergovernmental:					
State aid	897,258	897,258	897,258	-	897,258
State other	139,086	139,086	139,086	24,554	163,640
Tuition	65,334	65,334	68,241	-	68,241
Interest	2,146	2,146	1,920	-	1,920
Total revenues	1,488,686	1,488,686	1,489,649	24,554	1,514,203
EXPENDITURES					
Total expenditures	1,488,139	1,488,139	1,488,138	34,610	1,522,748
Excess (deficiency) of revenues over expenditures	547	547	1,511	(10,056)	(8,545)
OTHER FINANCING USES					
Transfers out	(547)	(547)	(547)	-	(547)
Total other financing uses	(547)	(547)	(547)	-	(547)
Net change in fund balances	\$ -	\$ -	964	(10,056)	(9,092)
Fund balances - beginning			131,001	10,056	141,057
Fund balances - ending			\$ 131,965	\$ -	\$ 131,965

SCHOOL DISTRICT NUMBER 41
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
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	\$ 31,780	\$ 31,780	\$ 31,667	\$ -	\$ 31,667
Interest	700	700	894	-	894
Total revenues	<u>32,480</u>	<u>32,480</u>	<u>32,561</u>	<u>-</u>	<u>32,561</u>
EXPENDITURES					
Total expenditures	<u>137,962</u>	<u>137,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (105,482)</u>	<u>\$ (105,482)</u>	32,561	-	32,561
Fund balances - beginning			<u>105,482</u>	<u>-</u>	<u>105,482</u>
Fund balances - ending			<u>\$ 138,043</u>	<u>\$ -</u>	<u>\$ 138,043</u>

SCHOOL DISTRICT NUMBER 41
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
Retirement 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					
County	\$ 198,500	\$ 198,500	\$ 198,500	\$ -	\$ 198,500
Interest	-	-	324	-	324
Total revenues	<u>198,500</u>	<u>198,500</u>	<u>198,824</u>	<u>-</u>	<u>198,824</u>
EXPENDITURES					
Total expenditures	<u>252,890</u>	<u>252,890</u>	<u>233,581</u>	<u>-</u>	<u>233,581</u>
Net change in fund balances	<u>\$ (54,390)</u>	<u>\$ (54,390)</u>	(34,757)	-	(34,757)
Fund balances - beginning			<u>104,968</u>	<u>-</u>	<u>104,968</u>
Fund balances - ending			<u>\$ 70,211</u>	<u>\$ -</u>	<u>\$ 70,211</u>

SCHOOL DISTRICT NUMBER 41
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NOTE 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. Budget to GAAP differences consist of prior year encumbrances and the State of Montana on-behalf TRS contribution.

The Miscellaneous Programs fund, a major special revenue fund, did not adopt a budget because it is not legally required.

SCHOOL DISTRICT NUMBER 41
 SCHEDULE OF FUNDING PROGRESS-SERVICE CREDIT AND TERMINATION PAY BENEFITS
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	\$ -	\$ 44,361	\$ 44,361	-	\$ 652,989	6.79%
6/30/2013	-	39,365	39,365	-	626,368	6.28%
6/30/2012	-	34,932	34,932	-	713,228	4.90%

While the ARC is calculated using the aggregate actuarial cost method for this plan, information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

This schedule is based on the actuarial values as of July 1, 2013.

SCHOOL DISTRICT NUMBER 41
 SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	\$ -	\$ 121,200	\$ 121,200	-	\$ 1,030,319	11.76%
6/30/2013	-	121,200	121,200	-	1,000,310	12.12%
6/30/2012	-	107,626	107,626	-	1,013,302	10.62%

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBER 41
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	Balance June 30, 2014
Student Council	\$ 2,210	\$ 902	\$ 679	\$ -	\$ 2,433
Juice Machine	558	1,027	770	(311)	504
Music	1,784	1,620	3,290	-	114
Library	954	3,966	3,148	-	1,772
Yearbook	2,528	1,735	1,754	-	2,509
8th Grade Yellowstone	1,154	-	1,154	-	-
8th Grade Education	1,711	-	-	-	1,711
8th Grade Scholarship	2,137	-	746	-	1,391
8th Grade Trip	456	50,268	52,409	1,685	-
Drama	2,753	20,625	18,934	-	4,444
Other Donations	1,419	2,290	3,078	-	631
Annual Giving Fund	16	1,044	1,020	-	40
Athletics	629	3,885	4,514	-	-
Principal's 100 Club	(442)	-	300	442	(300)
Bulk Mail	(71)	-	123	71	(123)
PPL Project Earth	53	-	53	-	-
Choir	61	1,995	2,011	-	45
Interest	202	170	-	(202)	170
Distance Learning	350	-	350	-	-
APC Reimbursement	-	6,204	6,570	-	(366)
7th Grade Carnival	1,686	3,368	244	(1,685)	3,125
Destination Imagination	25	200	25	-	200
2012 7th Grade Class	125	-	81	-	44
2012 8th Grade Class	35	-	-	-	35
First Interstate Donation	250	-	250	-	-
Supply Donations	500	-	500	-	-
4th Grade Class Donation	-	300	120	-	180
Tech Apps Donation	-	334	-	-	334
Ski Money	192	5,743	5,935	-	-
Total	\$ 21,275	\$ 105,676	\$ 108,058	\$ -	\$ 18,893

SCHOOL DISTRICT NUMBER 41
 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	17	17	-
Grades one through six	143	143	-
Grades seven and eight	45	45	-
	<u>205</u>	<u>205</u>	<u>-</u>
Part-time students included in grades seven and eight (540-719 hrs)			
	<u>1</u>	<u>1</u>	<u>-</u>
WINTER ENROLLMENT - December 2013			
<u>Elementary District</u>			
Kindergarten	16	16	-
Grades one through six	144	144	-
Grades seven and eight	45	45	-
	<u>205</u>	<u>205</u>	<u>-</u>
Part-time students included in grades seven and eight (540-719 hrs)			
	<u>1</u>	<u>1</u>	<u>-</u>
SPRING ENROLLMENT - February 2014			
<u>Elementary District</u>			
Kindergarten	15	15	-
Grades one through six	142	142	-
Grades seven and eight	45	45	-
	<u>202</u>	<u>202</u>	<u>-</u>
Part-time students included in grades seven and eight (540-719 hrs)			
	<u>1</u>	<u>1</u>	<u>-</u>

OLNESS & ASSOCIATES, P. C.

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

To the Board of Trustees
School District Number 41
Bozeman, 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 Number 41, Bozeman, 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 13, 2014.

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 and 2014-002)

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*.

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.

Olness & Associates, PC

Billings, Montana
November 13, 2014

SCHOOL DISTRICT NUMBER 41
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, 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.

SCHOOL DISTRICT NUMBER 41
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. DISTANCE LEARNING GRANT-COMPETITIVE BIDDING	IMPLEMENTED