

East Helena School District No. 9
Lewis & Clark County
East Helena, Montana

TABLE OF CONTENTS	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
INDEPENDENT AUDITOR'S REPORT	8 - 9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Fund Net Position - Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flow - Proprietary Funds	17
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	18
Notes to the Financial Statements	19 - 28
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	29
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Funds	30 – 31
Notes to the Budget and Actual Schedule	32 - 33
SUPPLEMENTAL SCHEDULES:	
Schedule of Reported Enrollment	34
Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds	35
Schedule of Expenditures of Federal Awards	36 - 37
INDEPENDENT AUDITOR'S REPORTS:	
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"	38 - 39
Report on Compliance for each Major Program and Internal Control Over Compliance by OMB Circular A-133	40 -41
Schedule of Findings and Questioned Costs	42

East Helena School District No. 9
Lewis & Clark County
East Helena, Montana

ORGANIZATION

BOARD OF TRUSTEES

Scott Walter	Chair
Breck Scheet	Vice Chair
Ann Marie Thompson	Trustee
Marcia Ellermeier	Trustee
Mark Diehl	Trustee
Joe Nye	Trustee
Kevin Bokovoy	Trustee

OFFICIALS

Ron Whitmoyer	Superintendent
Kim Aarstad	District Clerk
Marsha Davis	County Superintendent
Leo Gallagher	County Attorney

**East Helena Public Schools
School District No 9, Lewis and Clark County
East Helena, Montana**

Management's Discussion and Analysis

June 30, 2014

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2014. Please read it along with the School's financial statement which begins on page 10.

Financial Highlights

The District's financial position was recovering in 2013-2014 with net assets, revenues and expenses increasing 1% . While the District ranks well in achievement tests, our per student educational cost consistently remains low among similarly sized school districts in the State.

Using This Annual Report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

The District as a Whole

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The Statement of Net Assets shows the "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled) of the district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property, and some assets are available to fund budgets of the following year.
- B. The Statement of Activities shows the amount of program-specific and general school district revenues used to support the school district's various functions.

The Statement of Net Assets and the Statement of Activities reflects the school functions accounted for in the district's governmental funds, including instruction, student services, etc. Property taxes and federal revenues (grants) usually support most of these functions. The district does not utilize enterprises funds and has no component units.

Governmental Activities – The school functions, including instruction, student services, administration etc. Property taxes and federal revenues (grants) usually support most of these functions of the district.

The change in net assets over time is one indicator of whether the District's financial health is improving or deteriorating. However, there are other non-financial factors that influence the District's fiscal health, such as changes in enrollment, changes in the State's funding for education costs, changes in the economy and changes in the District's tax base.

**East Helena School District
Condensed Statement of Net Assets**

	Governmental Activities	Governmental Activities
	FY2013	FY 2014
Current and other assets	\$ 2,921,871.00	\$ 2,833,832.00
Capital assets - net	<u>9,040,556.00</u>	<u>8,720,051.00</u>
Total Assets	\$11,962,427.00	\$11,553,883.00
Current Liabilities	\$ 961,143.00	\$ 622,219.00
Other liabilities	<u>1,816,143.00</u>	<u>2,035,879.00</u>
Total liabilities	\$ 2,507,286.00	\$ 2,658,098.00
Net assets	\$ 7,035,556.00	\$ 7,155,051.00
Restricted	1,926,339.00	1,887,265.00
Unrestricted	<u>493,246.00</u>	<u>(146,531.00)</u>
Total net assets	\$ 9,445,141.00	\$8,895,785.00
Total Liabilities and net position	\$11,962,427.00	\$11,553,883.00

The Bond payments are paid in July and January of each year.

**East Helena School District
Statement of Revenues, Expenditures and Fund Balance**

	Governmental Activities	Governmental Activities
	FY 2013	FY2014
Revenues		
Program Revenues		
Charges for Services	\$ 182,171.00	166,386.00
Operating Grants	1,872,377.00	1,890,259.00
General Revenues		
District Levies	2,010,584.00	2,097,195.00
State Equalization	2,812,067.00	2,935,992.00
Other State Revenue	2,043,145.00	2,124,034.00
County	826,585.00	764,224.00
Federal	10.00	
Interest	7,175.00	2,877.00
Other	<u>74,644.00</u>	<u>146,401.00</u>
Total Revenues	\$9,828,758.00	\$10,127,368.00
Expenses		
Instructional services	\$ 6,261,545.00	\$ 6,666,215.00
Supportive services	546,810.00	646,237.00
Educational media services	238,660.00	243,596.00
General administrative services	835,100.00	918,827.00
Operation and maintenance services	692,634.00	789,147.00
Student transportation services	410,062.00	426,936.00
Food services	467,325.00	470,415.00
Extracurricular activities	20,966.00	3,178.00
Interest and other Charges	63,908.00	45,113.00
Other Current Charges		13,443.00
Total Expenses	\$ 9,550,453.00	\$10,209,664.00
Excess (Deficiency) of Revenue over Expenditures	\$ (82,296.00)	278,305.00

Federal Monies

The district received the following monies in state and federal grants.

	FY2011-2012	FY2012-2013	FY2013-2014
Title I	\$ 258,072.00	\$ 254,406.00	\$ 260,421.15
Indian Education	22,569.00	24,913.00	26,431.00
Title II –Part A	71,921.00	68,942.00	66,915.00
IDEA – Part B	8,392.00	29,879.00	17,796.00
Gifted & Talent	1,727.00	2,120.00	1,923.00
Montana Board of Crime-EVMS	30,953.00	31,577.32	30,217.00
Montana Board of Crime-Radley	18,106.40	0.00	0.00
DNRC Soil Remediation Grant		25,956.00	0.00
Dennis & Phyliss Washington Grant		10,000.00	10,000.00
21 Century Grant		110,000.00	111,500.00
Title VIB – Rural Low Income		22,010.00	
Steel Reese Grant			30,000.00
Total	\$ 461,740.40	\$ 579,803.32	\$ 555,203.15

The district has hired 2.5 teachers and a .5 Indian education tutor with these federal monies. The district also started an after school program.

The District Most Significant Funds

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

The fund financial statements provide detailed information about the most significant or major funds, of the District. Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts. In the 2013 fiscal year, General, Bus Deprecation, Misc Funds, Technology, Flex and Debt Service fund met these criteria. The retirement fund is funded primarily by a county wide levy to pay social security, medicare, retirement and unemployment insurance expenses.

The initiation of House Bill 424 has created a need to transfer funds to cover retirement, social security, medicare and unemployment with federal grant money. The loss of the federal revenue to cover retirement costs has created an additional burden on the general fund budget. In the East Helena School District the cost of funding retirement, social security, medicare and unemployment in the general fund is \$ 94,422.00.00 of expenses paid by Federal grants. This has created future choices of increasing revenue in the general fund with a voted levy or decreasing expenditures through personnel and program reductions. If personnel are reduced, student programs will be likely be reduced as a result as well.

The District’s financial positions can be viewed by summarizing taxable valuation over the last 5 years.

Montana Department of Revenue
Taxable Value of Property in School District #9

August 2014	13,106,023
August 2013	13,060,830
August 2012	12,784,052
August 2011	12,642,418
August 2010	12,656,409
August 2009	12,251,592

The debt service fund is funded primarily by property taxes to pay the district’s obligation.

Capital Assets

The following schedule presents capital asset balances net of depreciation for FY 2012-2013 and FY 2013-2014.

	FY2012-2013	FY2013-2014
Land	\$ 1,513,993.00	\$ 1,496,932.38
Land Improvements	88,093.00	178,522.12
Buildings	12,324,174.00	12,258,255.08
Machinery & Equipment	<u>1,438,612.00</u>	<u>975,236.97</u>
Total	\$13,850,879.00	13,412,014.17

The district purchased I-pads for all 3rd through 8th grade students. And the district has established mobile carts in Eastgate School for students use.

The District established a summer and after school program, with over 100 students in attendance.

The District established a summer school feeding program at Eastgate Elementary.

Worked on establishing higher security levels in all three schools, by putting in more security cameras, electronic doors and lighting in building parking lots.

Over the last couple years, the district has been able to establish a 5 year rotation of computer replacement and a computer network that is requested to be used by State agencies for professional training. SmartBoards are available in 100% of classrooms in the district and every elementary classroom has a computer projector to facilitate the newly adopted math curriculum

The Future of the District

The EHPS District budget is currently set at 91.7% of the State maximum budget limit. The district has options available to increase revenue with a voted levy, maintain current funding according to ANB or can choose to decrease expenditures through reductions in supplies and personnel reductions. The district continues to maintain 86% of the general fund budget in wages and benefits. The district also continues to make efforts to increase wages and starting wages to be competitive with local and regional salaries which is necessary to improve the district's ability to recruit and retain high quality staff members and to value the work of its employees.

The Board of Trustees were able to operate a conservative budget again this year since a stable enrollment allowed enough revenue to preserve programs for the FY14 budget. Attempts will be made to sustain programs and staff in FY15 provided the impact of a slowly recovering economy improves the economic outlook and confidence of the community. The United States is currently considering a new round of government sequestration and is operating on almost quarterly passage of a Continuing Resolution (CR) to avoid a government shutdown similar to the government shutdown experienced in FY14. The district ANB will only support minimal increases in the coming year as it did during FY12 & FY13. The district was stressed financially by the Office of Public Instruction insistence on adding 1.0 FTE additional counseling to the district. Senate Bill 175 enacted in the 2013 Legislative Session does propose increased funding in FY14 & FY15, however the challenges of FY13 coupled with inflation will force the School Board to appropriately manage the supplies and textbook budgets and consider personnel attrition to maintain appropriate staffing to match the budget authority for FY15. Sequestration cuts of 8 - 10% and slow returns to full funding will continue to challenge the district to maintain the support of the limited Federal Title Grants to provide very basic but fundamental components of the district reading & math programs, special ed program, summer school and to maintain instructional coaches.

Additional resources are needed to meet the District's growth projection plan and to appropriately maintain the buildings. The one time only funds for weatherization and deferred maintenance, which was allotted at the 2005 special session and again in 2007, will NOT be sufficient to address all of the needs in the buildings that have been compounded by 10 - 20 years of continually minimal budgets in a poor tax revenue school district. The district will use those funds to address some of the needs in FY15. The allowance of the expenditure of funds for safety issues from SB 348 was a benefit to the district as Trustees quickly addressed the security lighting at EVMS and Radley School.

Other major influences on the District's budget includes enrollment. The District anticipates a moderate to rapidly growing enrollment (3-25%) over the next five years. The current kindergarten enrollment remained level by capping tuition student acceptance to keep enrollment under 130 students, which allowed Eastgate to maintain even staffing. Overall the district enrollment stayed level or decreased slightly during FY14 as reported in the October student attendance counts but significant increases are possible for the future. Mountain View Meadows (MVM) continues to expand construction of single family homes and the subdivision now exceeds 100 single family homes especially since the economy and building industry are soundly recovering from the recession. The district anticipates an increase of 100 – 500 new students over the next 5 to 10 years due to the addition of this, Hamlin's and other subdivisions.

The enrollment increases in recent years have caused the School Board to reflect on the trigger points looming from the Long Term Infrastructure Report. The Trustees are nearing the completion of a study by Great West Engineering to review seven options for property acquisition as the district braces for the impact of these entry level homes. The most challenging trigger point is tripped if the enrollment approaches 1,200 students. The evident growth and recovering economy in early 2014 has allowed for a slow increase of commercial business and may signal an influx of school aged children in the district as subdivisions start to expand or new ones similar to Holmburg Estates start breaking ground across the road. The School District is also collaborating with the Montana Environmental Trust Group (METG), the EPA and the State of Montana DOJ to consider former Asarco properties for purchase by School Trustees for school building sites. The Board is also considering other sites in the close proximity to the City and areas of significant growth.

As elementary space becomes limited, the District is being forced to re-organize buildings, shifting class space from the primary to the elementary, and finally to the middle school. A strategic plan to address the infrastructure needs of the district has been developed. A task force considered many possibilities of accommodating future growth, including the need for a new elementary school building, adding on to the middle school when the district experiences benchmark growth in future years and even possibly a high school. In June 2013 the School Board directed the superintendent to continue to limit the number of tuition students being allowed into the district. The addition of Early Childhood education, or pre-school programs under district direction will further compound the building space needs for improving the learning of students throughout their lifetimes.

The school district continues to support the efficiencies of grade level schools to cut costs and shift some duties to tutors instead of hiring additional teaching staff. The ongoing challenges of operating a budget that has to rely on cuts to textbooks and professional development to balance the budget simply clarifies the difficulty faced by school districts from uncertain budget authority every two years from the legislature. The budget for FY15 will also be impacted by the addition of the Patient Protection and Affordable Care Act (PPACA). The addition of 13 new classified to the district health insurance policy will create financial challenges with only a small increase to the General Fund Budget.

The East Helena District is projecting a 1.7% budget increase in FY15. The state increase when coupled with a small decrease from ANB funding, results in a small increase in budget authority. This minimal increase will stress the district to maintain budget authority in the face of increases to wages and complicating the upcoming negotiation of two new collective bargaining agreements.

Contact for Additional Information

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STROM & ASSOCIATES, PC
Certified Public Accountants
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Billings, Montana 59103

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Helena School District No. 9
Lewis & Clark County
East Helena, 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 East Helena School District No. 9 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Helena School District No. 9 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 7), the schedule of funding for other post-employment benefits other than pensions (page 29) and budgetary comparison information (pages 30 - 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Helena School District No. 9's basic financial statements. The accompanying schedule of reported enrollment (page 34) and schedule of revenues, expenses and balances student activity funds (page 35) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (page 36 - 37) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying schedule of reported enrollment, schedule of revenues, expenses and balances student activity funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of reported enrollment, schedule of end of year revenues and expenses student activity funds, and the schedule of expenditures of federal awards 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 October 15, 2014 on our consideration of East Helena School District No. 9 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 East Helena School District No. 9 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
October 15, 2014

East Helena School District #9
 Lewis & Clark County
 East Helena, Montana 59635

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,684,507
Taxes Receivable	83,853
Due From Other Governments	<u>65,472</u>
Total Current Assets	<u>2,833,832</u>
Noncurrent Assets:	
Capital Assets:	
Land	1,496,933
Net Depreciable Assets	<u>7,223,118</u>
Total Noncurrent Assets	<u>8,720,051</u>
Total Assets	<u>\$ 11,553,883</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	\$ 2,699
Current Portions Compensated Absences	<u>159,520</u>
Total Current Liabilities	<u>162,219</u>
Noncurrent Liabilities:	
Long-Term Obligations	610,000
Compensated Absences	320,879
Long-Term Capital Obligations	<u>1,565,000</u>
Total Noncurrent Liabilities	<u>2,495,879</u>
Total Liabilities	<u>2,658,098</u>
NET POSITION:	
Net investment in capital assets	7,155,051
Restricted	1,887,265
Unrestricted (Deficit)	<u>(146,531)</u>
Total Net Position	<u>8,895,785</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,553,883</u>

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

STATEMENT OF ACTIVITIES
 as of June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS					
Instructional Services	\$ 6,666,215	\$ 18,437	\$ 1,079,383	\$ -	\$ (5,568,395)
Support Services	646,237	-	420,810	-	(225,427)
Educational Media Services	243,596	-	-	-	(243,596)
General Administrative Services	918,827	-	-	-	(918,827)
Operation & Maintenance Services	789,147	-	-	-	(789,147)
Transportation Services	426,936	-	99,772	-	(327,164)
School Food Services	470,415	147,949	290,294	-	(32,172)
Extracurricular	3,178	-	-	-	(3,178)
Debt Service					
Interest and other charges	45,113	-	-	-	(45,113)
Total Governmental Activities	<u>10,209,664</u>	<u>166,386</u>	<u>1,890,259</u>	<u>-</u>	<u>(8,153,019)</u>
GENERAL REVENUES					
District Levies					2,097,195
State Equalization					2,935,992
Other State Revenues					2,124,034
County					764,224
Interest					2,877
Other					146,401
Total General Revenues					<u>8,070,723</u>
Change in Net Position					<u>(82,296)</u>
Net Position					
Beginning of the Year					9,455,141
Prior Period Adjustments					(477,060)
End of the Year					<u>\$ 8,895,785</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR					Total Governmental Funds
	General	Bus Depreciation	Miscellaneous Programs	Debt Service	Other Governmental Funds	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 886,895	\$ 360,179	\$ 471,451	\$ 421,073	\$ 414,340	\$ 2,553,938
Taxes Receivable	56,973	4,025	-	11,807	11,048	83,853
Due From Other Governments	-	-	60,833	-	4,639	65,472
Total Assets	\$ 943,868	\$ 364,204	\$ 532,284	\$ 432,880	\$ 430,027	\$ 2,703,263
LIABILITIES:						
Total Liabilities	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	56,973	4,025	-	11,807	11,048	83,853
Total Deferred Inflows of resources	56,973	4,025	-	11,807	11,048	83,853
FUND BALANCE:						
Fund Balances:						
Restricted	-	360,179	532,284	421,073	418,979	1,732,515
Assigned	259,776	-	-	-	-	259,776
Unassigned:	627,119	-	-	-	-	627,119
Total Fund Balance	886,895	360,179	532,284	421,073	418,979	2,619,410
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 943,868	\$ 364,204	\$ 532,284	\$ 432,880	\$ 430,027	\$ 2,703,263

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 2,619,410
Internal Service Fund Net Position	127,870
Governmental Capital Assets	8,720,051
Long-term Liabilities	
Long-Term Obligations	(610,000)
Compensated Absences	(480,399)
Long-Term Capital Obligations	(1,565,000)
Unavailable Property Taxes Receivable	83,853
Net Position of Governmental Activities	\$ 8,895,785

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR					Total Governmental Funds
	General	Bus Depreciation	Miscellaneous Programs	Debt Service	Other Governmental Funds	
REVENUES:						
District Levies	\$ 1,441,410	\$ 111,447	\$ -	\$ 263,047	\$ 286,613	\$ 2,102,517
Interest	1,186	445	-	710	359	2,700
Charges for Services	10,778	-	-	-	155,608	166,386
Other	-	-	146,401	-	110	146,511
County	-	-	-	-	814,055	814,055
State	5,294,567	-	460,985	238,323	88,384	6,082,259
Federal	-	-	527,791	-	290,294	818,085
Total Revenues	6,747,941	111,892	1,135,177	502,080	1,635,423	10,132,513
EXPENDITURES:						
Current						
Instructional Services	4,827,851	-	632,346	-	824,200	6,284,397
Support Services	199,674	-	411,591	-	34,649	645,914
Educational Media Services	210,920	-	-	-	30,638	241,558
General Administrative Services	812,793	-	-	-	92,796	905,589
Operation & Maintenance Services	661,019	-	17,800	-	99,057	777,876
Transportation Services	12,407	-	-	-	340,291	352,698
School Food Services	-	-	-	-	466,119	466,119
Extracurricular	-	-	-	-	3,178	3,178
Debt Service						
Principal	-	-	-	440,000	-	440,000
Interest and other charges	-	-	-	45,113	-	45,113
Capital Outlay	31,612	-	18,755	-	12,255	62,622
Total Expenditures	6,756,276	-	1,080,492	485,113	1,903,183	10,225,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,335)	111,892	54,685	16,967	(267,760)	(92,551)
OTHER FINANCING SOURCES/USES						
Fund Transfers In	-	-	-	-	64,430	64,430
Fund Transfers (Out)	(64,430)	-	-	-	-	(64,430)
Total Other financial Sources/Uses	(64,430)	-	-	-	64,430	-
NET CHANGES IN FUND BALANCES	(72,765)	111,892	54,685	16,967	(203,330)	(92,551)
FUND BALANCE:						
Beginning of the Year	905,062	248,287	477,599	404,106	676,907	2,711,961
Prior Period Adjustments	54,598	-	-	-	(54,598)	-
End of the Year	\$ 886,895	\$ 360,179	\$ 532,284	\$ 421,073	\$ 418,979	\$ 2,619,410

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

East Helena School District #9
Lewis & Clark County
East Helena, Montana 59635

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
as of June 30, 2014

Net Changes in Fund Balance		\$	(92,551)
Change in net position from internal service funds			7,135
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(5,322)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(366,067)		
(Increase) decrease in Other Post Employment Benefits	(150,000)		
(Increase) decrease in compensated absence liability	<u>21,887</u>	(494,180)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	62,622		
Principal payments on bonds	<u>440,000</u>	<u>502,622</u>	
Change in net position reported on the Statement of Activity		\$	<u>(82,296)</u>

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

East Helena School District #9
Lewis & Clark County
East Helena, Montana 59635

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

	<u>MAJOR</u>
	<u>Governmental Activities - Internal Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 130,569
Total Assets	<u>\$ 130,569</u>
LIABILITIES:	
Current Liabilities	
Other Current Liabilities	\$ 2,699
Total Liabilities	<u>2,699</u>
NET POSITION:	
Unrestricted (Deficit)	<u>127,870</u>
Total Net Position	<u>127,870</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 130,569</u>

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

East Helena School District #9
Lewis & Clark County
East Helena, Montana 59635

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
as of June 30, 2014

	<u>Governmental Activities - Internal Service</u>
OPERATING REVENUES:	
Charges for Services	<u>68,381</u>
Total Operating Revenues	<u>68,381</u>
OPERATING EXPENSES:	
Personal services	9,423
Fixed charges	<u>52,000</u>
Total Operating Expense	<u>61,423</u>
OPERATING INCOME (LOSS)	<u>6,958</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>177</u>
Total nonoperating revenue (expenses)	<u>177</u>
CHANGE IN NET POSITION	<u>7,135</u>
NET POSITION:	
Beginning of the Year	<u>120,735</u>
End of the Year	<u>\$ 127,870</u>

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

East Helena School District #9
 Lewis & Clark County
 East Helena, Montana 59635

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 as of June 30, 2013

	<u>Governmental Activities - Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 68,381
Payments to Suppliers	(49,301)
Payments to Employees	<u>(9,423)</u>
Net Cash Provided (Used) by Operating Activities	<u>9,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>177</u>
Net Cash Provided (Used) by Investing Activities	<u>177</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>9,834</u>
BALANCE:	
Beginning of the Year	<u>120,735</u>
End of the Year	<u>\$ 130,569</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 6,958
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Changes In Assets and Liabilities:	
Claims incurred but not paid	<u>2,699</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,657</u>

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

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

	Private Purpose Trust Funds Agency Funds	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 46,215	\$ 451,960
Total Assets	46,215	451,960
 LIABILITIES:		
Current Liabilities		
Warrants Payable		451,883
Other Current Liabilities	-	77
Total Liabilities	-	451,960
 NET POSITION:		
Restricted for Student Activities	46,215	
Total Net Position	\$ 46,215	

STATEMENT OF CHANGES IN FIDUCIARY NET
 FIDUCIARY FUNDS
 as of June 30, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 108,331
Contributions to Endowment	
Total Additions	108,331
 DEDUCTIONS:	
Expenses of Student Activities	104,214
Student Scholarships	
Total Deductions	104,214
 CHANGE IN NET POSITION	 4,117
 NET POSITION:	
Beginning of the Year	42,098
End of the Year	\$ 46,215

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

EAST HELENA SCHOOL DISTRICT NO. 9

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of School District No. 9 (District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the District adopted the following

- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District is not merging with another District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the District.

The following are a listing of GASB statements which have been issued and the District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the District to expand its pension foot note disclosures. The District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

School District No. 9 consists of an elementary District which provides education for kindergarten through eighth grade. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the District. Based on those criteria this District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole except for the fiduciary funds. The fiduciary funds are reported as a private purpose trust fund in the fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

EAST HELENA SCHOOL DISTRICT NO. 9

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

Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

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

- Charges for services such as school lunch fees and facility rental fees and
- Operating grants that are restricted to a particular functional program.

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

1. b. 2 FUND ACCOUNTING

Fund financial statements provide information on the Districts major governmental funds and a combined column for all other non-major funds, proprietary funds with all internal service funds combined in one column. The student activity fund is displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the entity-wide statements.

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

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

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental).

In addition to funds that meet the major fund criteria, any other governmental that government officials believe is particularly important to financial statement users may be reported as a major fund.

The following funds are major funds of School District No. 9:

- General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the flexibility fund since the restrictions on this fund is similar to the general fund.
- Bus Depreciation Fund – This fund is used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current busses and two-way radio equipment owned by the District.
- Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of District programs are deposited in this fund.
- Debt Service Fund – This fund is used to account for the financing needs of the District to pay interest and principal on outstanding bonds and special improvement District (SID) assessments.

EAST HELENA SCHOOL DISTRICT NO. 9

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

1. b. 3 OTHER FUND TYPES

Trust Funds – The Trust Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations.

Agency Funds – The Agency Funds generally are used to account for assets that the District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer.

Internal Service Funds – These funds include a self-insurance vision and dental insurance fund which account for the financing of services provided. These funds use the accrual method of accounting mentioned in the government-wide section above. All assets and liabilities associated with internal funds are included on its balance sheet. Investment earnings are non-operating revenues.

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

1. c. 1 CASH AND INVESTMENTS

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

Information regarding the collateral and security for cash is not available to the District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Lewis & Clark County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

1. c. 4 CAPITAL ASSETS

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

Buildings	7 – 50 years
Improvements other than buildings	20 – 25 years
Machinery and Equipment	5 – 15 years

EAST HELENA SCHOOL DISTRICT NO. 9

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

1.c. 5 VACATION AND SICK LEAVE

School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Certified staff receive 3 days per year and any amounts remaining in excess of 24 hour at the end of the school year are paid out.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$ 159,520 and it is generally paid out of the general fund.

1.c. 6 DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

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

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 32,756	\$ 44,997
Education Media Services	0	429
General Administrative Services	0	5,658
Operations and Maintenance	5,921	145,867
Student Transportation	412,243	0
School Food	88,731	0
Third Party Grantor Restrictions	532,284	0
Employer Retirement Benefits	89,818	0
Future Technology	100,259	0
Future Capital Costs	49,430	62,825
Debt Service	421,073	0
Total	<u>\$ 1,732,515</u>	<u>\$ 259,776</u>

EAST HELENA SCHOOL DISTRICT NO. 9

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

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of the 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. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,684,507	\$ 498,175	\$ 3,182,682

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

	<u>Amount</u>
Cash on Hand	\$ 200
Demand Accounts	46,215
County Investment Pool	3,136,267
Total	\$ 3,182,682

Cash resources of the District are held and managed by the Lewis & Clark County Treasurer. They are combined with cash resources of other governmental entities within Lewis & Clark County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S. Government Securities, Certificates of Deposit, and STIP and are carried at fair value.

The cash of the extracurricular funds is held separately by the school District, not at the county, and is covered by FDIC.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$13,060,830. The tax rates assessed for the year ended June 30, 2014 to finance District operations:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	110.25	\$ 56,973
Transportation	13.78	7,019
Bus Depreciation*	8.69	4,025
Adult Education	1.00	509
Technology	7.12	3,520
Debt Service*	19.96	11,807
Total	160.80	\$ 83,853

* Denotes Major Funds

EAST HELENA SCHOOL DISTRICT NO. 9

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

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Retirement	4,639	Lewis and Clark County	Retirement Payment
Miscellaneous *	12,045	Office of Public Instruction	Title II
Miscellaneous*	27,501	Office of Public Instruction	Title IV – 21 st Century
Miscellaneous*	4,000	Prickly Pear Cooperative	IDEA Special Education
Miscellaneous*	17,287	Board of Crime Control	Grant funding
Total	<u>\$ 65,472</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
<u>Non-Depreciable:</u>					
Land	\$ 1,513,993	\$ 0	\$ 0	\$ (17,060)	\$ 1,496,933
<u>Depreciable:</u>					
Land Improvements	\$ 88,093	\$ 24,510	\$ 0	\$ 65,920	\$ 178,523
Buildings	12,324,174	0	0	(65,920)	12,258,254
Major Equipment	1,438,612	38,112	(501,487)	0	975,237
Total Depreciable	<u>\$ 13,850,879</u>	<u>\$ 62,622</u>	<u>\$ (501,487)</u>	<u>\$ 0</u>	<u>\$ 13,412,014</u>
<u>Accumulated Depreciation:</u>					
Land Improvements	\$ (32,317)	\$ (8,209)	\$ 0	\$ (14,723)	\$ (55,249)
Buildings	(5,272,000)	(263,945)	0	14,723	(5,521,222)
Major Equipment	(1,019,999)	(93,913)	501,487	0	(612,425)
Total Depreciation	<u>\$ (6,324,316)</u>	<u>\$ (366,067)</u>	<u>\$ 501,487</u>	<u>\$ 0</u>	<u>\$ 6,188,896</u>
Net Depreciable Assets	<u>7,526,563</u>	<u>(303,445)</u>	<u>0</u>	<u>0</u>	<u>7,223,118</u>
Net Governmental Capital Assets	<u>\$ 9,040,556</u>	<u>\$ (303,445)</u>	<u>\$ 0</u>	<u>\$ (17,060)</u>	<u>\$ 8,720,051</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 282,630
Media	323
School Administration	950
Operation & Maintenance	9,601
Transportation	69,486
School Food	3,077
Total Depreciation Expense	<u>\$ 366,067</u>

NOTE 6. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The District has joined with other Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the District other than timely payments of premiums. The District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The District has no coverage for potential losses from environmental damages.

EAST HELENA SCHOOL DISTRICT NO. 9

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

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 7. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.doa.state.mt.us	Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/doa/perb/prb.htm
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For the fiscal year ended June 30, 2014 - The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 808,264	\$ 798,802	\$ 953,461
PERS	<u>95,408</u>	<u>95,607</u>	<u>109,682</u>
Total	<u>\$ 903,6</u>	<u>\$ 894,409</u>	<u>\$ 1,063,143</u>

NOTE 8. CHANGES IN LONG-TERM DEBT

8. a At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2013</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	<u>\$ 2,005,000</u>	<u>\$</u>	<u>\$ 440,000</u>	<u>\$ 1,565,000</u>	<u>\$ 0</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 502,286	\$	\$ 21,887	\$ 480,399	\$ 159,520
Other Post-Employment Benefits (OPEB)		<u>610,000</u>		<u>610,000</u>	<u>0</u>
Total Other Liabilities	<u>\$ 502,286</u>	<u>\$ 610,000</u>	<u>\$ 21,887</u>	<u>\$ 1,090,399</u>	<u>\$ 159,520</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 2,507,286</u>	<u>\$ 610,000</u>	<u>\$ 461,887</u>	<u>\$ 2,655,399</u>	<u>\$ 619,520</u>

EAST HELENA SCHOOL DISTRICT NO. 9

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

8. b. GENERAL OBLIGATION BONDS

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

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
School Building Bonds	May 22, 2012	2% - 3%	7 Years	July 1, 2018	\$ 2,425,000	\$ 1,565,000

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

For the year ended 6/30:	<u>Elementary</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 0	\$ 37,900
2016	465,000	26,700
2017	470,000	17,350
2018	490,000	7,700
2019	140,000	1,400
Totals	\$ 1,565,000	\$ 91,050

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 56,973	Taxes Receivable
Transportation	7,019	Taxes Receivable
Bus Depreciation	4,025	Taxes Receivable
Adult Education	509	Taxes Receivable
Technology	3,520	Taxes Receivable
Debt Service	11,807	Taxes Receivable
Total	\$ 83,853	

* Denotes Major Funds

NOTE 10. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
Governmental Type Activities	(460,000)	Record prior year OPEB liability
Governmental Type Activities	(17,060)	Remove prior year posting in capital assets for hydro seed
Total	\$ (477,060)	

NOTE 11. TRANSFERS

<u>Elementary Fund - Out</u>	<u>Amount</u>	<u>Elementary Fund - In</u>	<u>Purpose of Transfer</u>
General*	\$ 15,000	Compensated Absences	Compensated absence fund transfer
General*	49,430	Building Reserve	School Safety transfer
Total	\$ 64,430		

* Denotes Major Funds

EAST HELENA SCHOOL DISTRICT NO. 9

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

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The District provides the same health care plan to all of its members. The District had more than 100 plan participants and thus had an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 45% and 41% of plan participants would elect to continue coverage after retirement for medical and dental/vision. The school District reevaluated its OPEB as of July 1, 2012.

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

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,160,000
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>1,160,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,430,000
UAAL as a percentage of covered payroll	21%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 150,000
Interest on net OPEB obligation	10,000
Adjustment to ARC	<u>(10,000)</u>
Annual OPEB cost (expense)	150,000
Contribution made	<u>0</u>
Increase in net OPEB obligation	150,000
Net OPEB obligation - beginning of year	0
Prior period adjustment	<u>460,000</u>
Net OPEB obligation - end of year	<u>\$ 610,000</u>

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

Actuarial Cost Method	Projected Unit Credit Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	4.25%
Average Salary Increase	3.00%

Health care cost rate trend	
Year	% Increase
2015	8.50%
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022 and after	5.50%

EAST HELENA SCHOOL DISTRICT NO. 9

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

NOTE 13. OTHER COMMITMENTS

13. a. 1 ENCUMBRANCES

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

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 259,776
Transportation	1,143
Miscellaneous	<u>33,106</u>
Total	<u>\$ 294,025</u>

* Denotes Major Funds

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The East Helena School District No. 9 is a member of the Prickly Pear Special Education Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of East Helena School District No. 9, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Lewis and Clark County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 15. MULTIDISTRICT COOPERATIVE

The District has entered into an agreement with other participants in the Southwest Montana School Services (SWMSS) Multidistrict Cooperative. The SWMSS Multidistrict Cooperative provides coordinating and purchase services for professional development, computer hardware and software, supplies and anything else the SWMSS board determines is beneficial for the participating districts.

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any school District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement. Money may be transferred from any fund except for retirement fund, debt service fund and compensated absences fund.

SWMSS is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. During fiscal year ended June 30, 2014 the district transferred zero dollars.

EAST HELENA SCHOOL DISTRICT NO. 9

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
<u>7/1/2009</u>	<u>\$0</u>	<u>\$1.10M</u>	<u>\$1.10M</u>	<u>0.0%</u>	<u>\$5.34M</u>	<u>21%</u>
No valuations performed between 2009 and 2012						
<u>7/1/2012</u>	<u>\$0</u>	<u>\$1.16M</u>	<u>\$1.16M</u>	<u>0.0%</u>	<u>5.43M</u>	<u>21%</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 as of June 30, 2014

	General			Bus Depreciation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,439,941	\$ 1,439,941	\$ 1,441,410	\$ 113,457	\$ 113,457	\$ 111,447
Interest	3,620	3,620	1,186	500	500	445
Charges for Services	6,000	6,000	10,778	-	-	-
State	5,281,091	5,281,091	5,281,091	-	-	-
Total Revenues	6,730,652	6,730,652	6,734,465	113,957	113,957	111,892
EXPENDITURES:						
Current						
Instructional Services			4,751,067			-
Support Services			199,674			-
Educational Media Services			210,591			-
General Administrative Services			816,412			-
Operation & Maintenance Services			654,739			-
Transportation Services			12,407			-
Capital Outlay			69,420	362,244	362,244	-
Total Expenditures	6,730,652	6,730,652	6,714,310	362,244	362,244	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	20,155	(248,287)	(248,287)	111,892
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(64,430)			-
Total Other financial Sources/Uses	-	-	(64,430)	-	-	-
NET CHANGES IN FUND BALANCES	-	-	(44,275)	(248,287)	(248,287)	111,892
FUND BALANCE:						
Beginning of the Year			598,176			248,287
Prior Period Adjustments			5,144			-
End of the Year			\$ 559,045	\$ (248,287)	\$ (248,287)	\$ 360,179

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BA
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 as of June 30, 2014

	Flexibility Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	-
Charges for Services	-	-	-
State	<u>13,476</u>	<u>-</u>	<u>13,476</u>
Total Revenues	<u>13,476</u>	<u>-</u>	<u>13,476</u>
EXPENDITURES:			
Current			
Instructional Services			-
Support Services			-
Educational Media Services			-
General Administrative Services			-
Operation & Maintenance Services			-
Transportation Services			-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>68,074</u>	<u>68,074</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(54,598)</u>	<u>(68,074)</u>	<u>13,476</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers (Out)			<u>-</u>
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(54,598)</u>	<u>(68,074)</u>	<u>13,476</u>
FUND BALANCE:			
Beginning of the Year			54,598
Prior Period Adjustments			<u>-</u>
End of the Year	<u>\$ (54,598)</u>	<u>\$ (68,074)</u>	<u>\$ 68,074</u>

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

EAST HELENA SCHOOL DISTRICT NO. 9

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds debt service is not included in the schedule because it is not a special revenue funds and the miscellaneous fund is an non-budgeted funds.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$259,776. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable. In addition, the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) displays and \$5,144 prior period adjustment relating to prior year encumbrances which did not occur and become a GAAP expenditures.

EAST HELENA SCHOOL DISTRICT NO. 9

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

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

	<u>Sub-fund</u> <u>General</u> <u>Fund</u> <u>(Elem)</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:			
District Levies	\$ 1,441,410	\$ 0	\$ 1,441,410
Interest Earnings	1,186	0	1,186
Other	0	0	0
County	0	0	0
State Sources	5,281,091	13,476	5,294,567
Federal	0	0	0
Charge For Services	<u>10,778</u>	<u>0</u>	<u>10,778</u>
Total Revenues	<u>\$ 6,734,465</u>	<u>\$ 13,476</u>	<u>\$ 6,747,941</u>
EXPENDITURES:			
Instructional Services	4,751,067	0	4,751,067
Support Services	199,674	0	199,674
Educational Media	210,591	0	210,591
General Administrative	816,412	0	816,412
Operation & Maintenance	654,739	0	654,739
Transportation	14,407	0	14,407
Capital Outlay	<u>69,420</u>	<u>0</u>	<u>69,420</u>
Total Expenditures	<u>\$ 6,714,310</u>	<u>\$ 0</u>	<u>\$ 6,714,310</u>
Excess(Deficiency)	20,155	13,476	31,631
Fund Transfer (out)	<u>(64,430)</u>	<u>0</u>	<u>(64,430)</u>
Net Changes In Fund Balance	<u>(44,275)</u>	<u>13,476</u>	<u>(32,799)</u>
FUND BALANCE:			
Beginning of the Year	<u>905,062</u>	<u>54,598</u>	<u>959,660</u>
Ending of the Year	<u>818,821</u>	<u>68,074</u>	<u>886,895</u>

In the reconciliation the general fund and flexibility fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility fund, are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund and flexibility fund are shown because they are reported as major funds and have legally adopted budgets.

EAST HELENA SCHOOL DISTRICT NO. 9

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	130	130	0
Grade 1	130	130	0
Grade 2	141	141	0
Grade 3	131	131	0
Grade 4	126	126	0
Grade 5	125	125	0
Grade 6	<u>133</u>	<u>133</u>	<u>0</u>
Total	<u>916</u>	<u>916</u>	<u>0</u>
Grade 7	133	133	0
Grade 8	<u>114</u>	<u>114</u>	<u>0</u>
Total	<u>247</u>	<u>247</u>	<u>0</u>
Total Elementary	<u>1,163</u>	<u>1,163</u>	<u>0</u>
Part-time Students			0
Less than 539 hours	1	1	0
Less than 719 hours	<u>2</u>	<u>2</u>	<u>0</u>
Total	<u>3</u>	<u>3</u>	<u>0</u>

WINTER ENROLLMENT - December, 2013

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	127	127	0
Grade 1	131	131	0
Grade 2	137	137	0
Grade 3	131	131	0
Grade 4	124	124	0
Grade 5	125	125	0
Grade 6	<u>132</u>	<u>132</u>	<u>0</u>
Total	<u>907</u>	<u>907</u>	<u>0</u>
Grade 7	132	132	0
Grade 8	<u>112</u>	<u>112</u>	<u>0</u>
Total	<u>244</u>	<u>244</u>	<u>0</u>
Total Elementary	<u>1,151</u>	<u>1,151</u>	<u>0</u>
Part-time Students			0
Less than 539 hours	1	1	0
Less than 719 hours	<u>2</u>	<u>2</u>	<u>0</u>
Total	<u>3</u>	<u>3</u>	<u>0</u>

SPRING ENROLLMENT - February, 2014

Elementary	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	131	131	0
Grade 1	130	130	0
Grade 2	131	131	0
Grade 3	129	129	0
Grade 4	124	124	0
Grade 5	123	123	0
Grade 6	<u>131</u>	<u>131</u>	<u>0</u>
Total	<u>899</u>	<u>899</u>	<u>0</u>
Grade 7	133	133	0
Grade 8	<u>113</u>	<u>113</u>	<u>0</u>
Total	<u>246</u>	<u>246</u>	<u>0</u>
Total Elementary	<u>1,145</u>	<u>1,145</u>	<u>0</u>
Part-time Students			0
Less than 539 hours	1	1	0
Less than 719 hours	<u>3</u>	<u>3</u>	<u>0</u>
Total	<u>4</u>	<u>4</u>	<u>0</u>

EAST HELENA SCHOOL DISTRICT NO. 9

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

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Transfers	Ending Balance 6/30/2014
COMMUNITY GARDEN	\$ 11	\$ -	\$ -	\$-	\$ 11
EASTGATE BOOK ORDER	185	395	438		142
EASTGATE FIELD TRIP	190	-	-	-	190
EASTGATE JEANS	2,276	1,662	1,076	-	2,862
EASTGATE LIBRARY	1,577	7,092	7,519	-	1,150
EASTGATE POP	303	-	-	-	303
EASTGATE SUCKERS	505	612	612		505
EVMS FY 13 GRADUATION	1,744	-	744	(1,000)	-
EVMS FY 14 GRADUATION	2,537	850	3,557	250	80
EVMS FY 15 GRADUATION		-	61	1,656	1,595
EVMS ATHLETICS	3,293	6,500	6,885	-	2,908
EVMS BAND	7,965	27,094	26,487	-	8,572
EVMS BOOK ORDER	47	-	-	-	47
EVMS FIELD TRIP	181	-	1		180
EVMS GOT LIFE	516	1,542	1,013	-	1,045
EVMS GRADUATION	1,346	250	99	(250)	1,247
EVMS HOME EC	60	-	-	-	60
EVMS INDUSTRIAL ARTS	119	740	349	-	510
EVMS JEANS	4,291	11,130	10,593	-	4,828
EVMS LIBRARY	139	4,355	4,402	-	92
EVMS MINI CAMP	1,613	-	2	-	1,611
EVMS PHOTO	237	15	-	-	252
EVMS POP	1,447	226	415	-	1,258
EVMS SCIENCE 6TH	-	342	273	-	69
EVMS SCIENCE 7TH	232	369	49	-	552
EVMS SCIENCE 8TH	251	250	189	-	312
EVMS 6TH GRADE	656	8,022	5,926	(656)	2,096
EVMS STUDENT COUNCIL	1,352	7,274	6,078	-	2,548
EVMS YEAR BOOK	1,985	5,698	5,864	-	1,819
GENERAL ACCOUNT	70	5	-	-	75
RADLEY BOOK ORDER	10	527	527	-	10
RADLEY ENRICHMENT	247	1,305	1,306	-	246
RADLEY FIELD TRIP	505	4,090	4,264	-	331
RADLEY JEANS	2,154	2,108	2,735	-	1,527
RADLEY LIBRARY	2,840	13,068	12,927	-	2,981
RADLEY POP	1,350	-	2	-	1,348
RADLEY SUCKERS	369	-	-	-	369
Total	\$ 42,603	\$ 105,521	\$ 104,393	\$ -	\$ 43,731

EAST HELENA SCHOOL DISTRICT NO. 9

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Pass-Through Grantor's Number	Federal CFDA Number	Program or Award Amount	Federal Expendi- tures
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH MONTANA OFFICE OF PUBLIC IN- STRUCTION:				
School Breakfast Program	N/A	10.553	N/A	\$ 50,685
National School Lunch Program (Donated Food) (2)	N/A	10.555	\$ 24,861	24,861
National School Lunch Program (1)	N/A	10.555	N/A	211,134
Summer Food Service Program for Children	N/A	10.559	N/A	<u>28,475</u>
Total U.S. Department of Agriculture				<u>\$ 315,155</u>
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH MONTANA BOARD OF CRIME CONTROL:				
Juvenile Justice and Delinquency Prevention Allocation to States	13-J09-91545	16.540	\$ 30,953	<u>\$ 30,217</u>
Total U.S. Department of Justice				<u>\$ 30,217</u>
U.S. DEPARTMENT OF EDUCATION DIRECT:				
Indian Education Grants to Local Educational Agencies	S060A132193	84.060	\$ 24,913	26,420
PASSED THROUGH PRICKLY PEAR EDUCATION CO- OPERATIVE:				
Special Education Grants to States	NA	84.027	\$ 17,796	17,796
PASSED THROUGH MONTANA OFFICE OF PUBLIC IN- STRUCTION:				
Title I Grants to Local Education Agencies - Part A, Improving Basic Programs	25-0492-3114	84.010	\$ 300,384	260,484
Twenty-First Century Community Learning Centers	25-0492-1714	84.287	\$ 111,500	111,500
Rural Education	25-0492-9914	84.358	\$ 14,574	14,574
Improving Teacher Quality State Grants	25-0492-1414	84.367	\$ 66,915	<u>61,800</u>
Total U.S. Department of Education				<u>\$ 492,574</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SER- VICES PASSED THROUGH MONTANA DEPARTMENT OF PUBLIC HEALTH AND HUMAN RESOURCES:				
Temporary Assistance for Needy Families	1402most030x	93.558	\$ 15,000	<u>\$ 15,000</u>
Total U.S. Department Health and Human Services				
Total Federal Financial Assistance				<u>\$ 852,946</u>

EAST HELENA SCHOOL DISTRICT NO. 9

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of East Helena School District No. 9 under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of East Helena School District No. 9, it is not intended to and does not present the financial position, changes in net assets or cash flows of East Helena School District No. 9.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. FOOTNOTES

- 1 – No separate funds or accounts maintained, the District assumes first in first out for program money.
- 2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements
- N/A – Not applicable/ available

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Helena School District No. 9
Lewis & Clark County
East Helena, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Helena School District No. 9 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the East Helena School District No. 9's basic financial statements and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Helena School District No. 9's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Helena School District No. 9's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
October 15, 2014

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Helena School District No. 9
Lewis & Clark County
East Helena, Montana

Report on Compliance for Each Major Federal Program

We have audited East Helena School District No. 9's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of East Helena School District No. 9's major federal programs for the year ended June 30, 2014. East Helena School District No. 9's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East Helena School District No. 9's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Helena School District No. 9's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Helena School District No. 9's compliance.

Opinion on Each Major Federal Program

In our opinion, East Helena School District No. 9's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of East Helena School District No. 9, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Helena School District No. 9's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Helena School District No. 9's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



STROM & ASSOCIATES, PC
Billings, Montana
October 15, 2014

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unqualified opinion on School District No. 9's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 9.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unqualified opinion on School District No. 9's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for School District No. 9 for the year ended June 30, 2014 was

CFDA Number	Name of Federal Program or Cluster
10.553; 10.555 & 10.559	Child Nutrition Cluster
10.010	Title I Grants to Local Education Agencies - Part A, Improving Basic Programs

8. The threshold used to distinguish between Type A and type B programs was \$300,000. East Helena School District No. 9 has Child Nutrition Cluster as a Type A programs.
9. This School District does not qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

Finding #1-2013 Other Post-Employment Benefits

This is not a finding in fiscal year 2014

There were no findings or recommendations in fiscal year 2014.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133.