

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Angie Giles
Jennifer Crowley
Erica Stevens
Wenzel Landowski
Danny Dorsett

Chairperson
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Jason Christy
Sharon Leach
Marcia Sheffels
Ed Corrigan

Principal
Business Manager
County Superintendent
County Attorney

MANAGEMENT'S DISCUSSION AND ANALYSIS 2013-14

Board of Trustees
Kila School District # 20
Flathead County
Kila, MT

This is the District's Management's Discussion and Analysis. It provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it along with the District's financial statement's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The District's net position for the fiscal year that ended fiscal year June 30, 2014, was \$521,234.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and The Statement of Activities (Pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities (they include only current assets expended to be collected in the very near future). They present detailed information about the District's general fund and certain other funds.

THE DISTRICT AS A WHOLE

The information in the following statements details the financial position of Kila School District # 20. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. The change in net assets (the difference between total assets and total liabilities) over time is an indicator of how the district is financially progressing. However, you need to consider other non-financial factors in making an assessment of the District's financial position, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, etc. to assess the overall financial position of the District.

The District's net position was as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Current and Other Assets	\$ 274,569	\$ 217,266	\$ 255,767	\$ 242,777
Capital Assets	\$ 722,864	\$ 744,339	\$ 715,799	\$ 711,202
Total Assets:	\$ 997,433	\$ 961,605	\$ 971,566	\$ 953,979
Other Liabilities	\$ 18,777	\$ 8,845	\$ 610	\$ 0
Long Term Debt	\$ 214,274	\$ 284,404	\$ 362,981	\$ 432,745
Total Liabilities	\$ 233,051	\$ 293,249	\$ 363,591	\$ 432,745
Net investment in capital assets	\$ 722,864	\$ 744,339	\$ 715,799	\$ 711,202
Restricted	\$ 106,412	\$ 110,614	\$ 118,935	\$ 90,579
Unrestricted debt	\$ (64,894)	\$ (186,597)	\$ (226,759)	\$(280,547)
<u>TOTAL NET POSITION</u>	<u>\$ 764,382</u>	<u>\$ 668,356</u>	<u>\$ 607,975</u>	<u>\$ 521,234</u>

District revenues were as follows:

<u>PROGRAM</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Charges for Services	\$ 45,480	\$ 53,345	\$ 23,406	\$ 52,189
Operating grants	\$ 501,071	\$ 303,323	\$ 207,805	\$ 275,464
Capital grants and contributions	\$ -	\$ -	\$ 62,346	\$ 0
<u>GENERAL</u>				
Property taxes	\$ 267,164	\$ 256,675	\$ 326,414	\$ 326,854
Grants and Entitlements	\$ 602,932	\$ 639,325	\$ 677,142	\$ 732,953
County Retirement	\$ 123,350	\$ 129,847	\$ 131,411	\$ 139,848
Other general	\$ 45,338	\$ 38,133	\$ 46,118	\$ 40,480
<u>TOTAL REVENUE</u>	<u>\$1,585,335</u>	<u>\$1,420,648</u>	<u>\$1,474,642</u>	<u>\$1,567,788</u>

The District's expenses were as follows:

<u>GENERAL</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Services	\$ 180,155	\$ 185,149	\$ 143,424	\$ 137,243
Instructional	\$ 974,601	\$ 928,263	\$1,007,720	\$1,112,090
Supporting	\$ 177,286	\$ 136,255	\$ 145,037	\$ 158,976
Administrative	\$ 216,335	\$ 248,028	\$ 201,608	\$ 225,873
Transportation	\$ 15,639	\$ 19,579	\$ 18,543	\$ 20,347
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0
<u>TOTAL EXPENSES</u>	<u>\$1,564,016</u>	<u>\$1,517,274</u>	<u>\$1,516,332</u>	<u>\$1,654,529</u>

Changes in Net Position	\$ 21,919	(\$ 96,626)	(\$ 41,690)	(\$ 86,741)
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FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the District's funds. Under this new reporting model, the District is required to provide detailed information for its "major" funds.

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.

The governmental funds provide a short-term view of the District's operations. They are reported using the modified accrual accounting method which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

CAPITAL ASSETS

Capital Assets were adjusted to be in compliance with GASB 34. Total depreciation expense ending year was \$ 30,962. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014:

Land	\$	5,666
Building	\$	587,346
Improvements other than land	\$	86,961
Equipment	\$	<u>31,229</u>
Total	\$	<u>711,202</u>

DEBT ADMINISTRATION

At June 30, 2014, the District had \$ 432,745 in general obligations bonds and other long-term debt outstanding. A summary of the District's outstanding long-term debt for the year ended June 30, 2014 is presented below:

GASB #45 Termination Benefits	\$	392,002
Compensated Absences	\$	<u>40,743</u>
Total	\$	<u>432,745</u>

THE DISTRICT'S FUTURE

Kila School District is located in a very transit area so it is nearly impossible to determine enrollment numbers.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact the Business Manager at the Kila School District #20, 395 Kila Rd, Kila MT 59920, 406-257-2428.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kila Public School
Flathead County
Kila, 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 Kila Public School, Flathead County, Montana, 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 Kila Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Kila Public School, Flathead County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 4, 30 through 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are fairly stated in all material respects in relation to the 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 June 22, 2015, on our consideration of the Kila Public School, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kila Public School, Flathead County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPAs, P.C.

June 22, 2015

Kila Public School, Flathead County, Montana
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 221,551
Taxes and assessments receivable, net	21,220
Due from other governments	6
Total current assets	\$ 242,777
Noncurrent assets	
Capital assets - land	\$ 5,666
Capital assets - depreciable, net	705,536
Total noncurrent assets	\$ 711,202
Total assets	\$ 953,979
LIABILITIES	
Current liabilities	
Current portion of compensated absences payable	\$ 10,675
Total current liabilities	\$ 10,675
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	\$ 392,002
Noncurrent portion of compensated absences	30,068
Total noncurrent liabilities	\$ 422,070
Total liabilities	\$ 432,745
NET POSITION	
Net investment in capital assets	\$ 711,202
Restricted for capital projects	1,092
Restricted for debt service	5,419
Restricted for special projects	84,068
Unrestricted	(280,547)
Total net position	\$ 521,234

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Primary government:</u>				<u>Governmental Activities</u>
Governmental activities:				
Instructional - regular	\$ 900,072	\$ -	\$ 82,716	\$ (817,356)
Instructional - special education	212,018	-	108,305	(103,713)
Supporting services - operations & maintenance	115,172	-	-	(115,172)
Supporting services - general	12,927	-	-	(12,927)
Supporting services - educational media services	30,877	-	-	(30,877)
Administration - general	74,774	-	-	(74,774)
Administration - school	92,873	-	7,916	(84,957)
Administration - business	58,226	-	-	(58,226)
Student transportation	20,347	-	14,056	(6,291)
Extracurricular	7,956	-	-	(7,956)
School food	122,261	23,031	56,593	(42,637)
Community services	-	29,158	5,878	35,036
Unallocated depreciation*	7,026	-	-	(7,026)
Total primary government	\$ <u>1,654,529</u>	\$ <u>52,189</u>	\$ <u>275,464</u>	\$ <u>(1,326,876)</u>
General Revenues:				
Property taxes for general purposes			\$	326,854
Grants and entitlements not restricted to specific programs				732,953
Investment earnings				1,210
Miscellaneous (other revenue)				6,618
State entitlement (block grants)				30,471
State technology				2,181
County retirement				<u>139,848</u>
Total general revenues, special items and transfers			\$	<u>1,240,135</u>
Change in net position			\$	<u>(86,741)</u>
Net position - beginning			\$	607,975
Net position - end			\$	<u>521,234</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Tuition	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 135,631	\$ (2,751)	\$ 32,555	\$ 31,557	\$ 24,559	\$ 221,551
Taxes and assessments receivable, net	16,567	3,041	-	-	1,612	21,220
Due from other governments	-	-	-	6	-	6
Total assets	\$ 152,198	\$ 290	\$ 32,555	\$ 31,563	\$ 26,171	\$ 242,777
 DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 16,567	\$ 3,041	\$ -	\$ -	\$ 1,612	\$ 21,220
 FUND BALANCES						
Restricted	\$ -	\$ -	\$ 32,555	\$ 31,563	\$ 24,559	\$ 88,677
Assigned	35,421	-	-	-	-	35,421
Unassigned fund balance	100,210	(2,751)	-	-	-	97,459
Total fund balance	\$ 135,631	\$ (2,751)	\$ 32,555	\$ 31,563	\$ 24,559	\$ 221,557

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 221,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	711,202
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	21,220
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(432,745)
Total net position - governmental activities	<u>\$ 521,234</u>

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Tuition</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 267,391	\$ 52,086	\$ 161	\$ 35,912	\$ 109,028	\$ 464,578
County revenue	-	-	139,848	-	7,028	146,876
State revenue	799,812	-	-	72,498	(63,235)	809,075
Federal revenue	-	-	-	95,877	56,593	152,470
Total revenues	<u>\$ 1,067,203</u>	<u>\$ 52,086</u>	<u>\$ 140,009</u>	<u>\$ 204,287</u>	<u>\$ 109,414</u>	<u>\$ 1,572,999</u>
EXPENDITURES						
Instructional - regular	\$ 593,743	\$ -	\$ 111,777	\$ 103,690	\$ -	\$ 809,210
Instructional - special education	74,496	51,420	10,891	75,211	-	212,018
Supporting services - operations & maintenance	107,302	-	6,922	-	-	114,224
Supporting services - general	12,792	-	135	-	-	12,927
Supporting services - educational media services	26,833	-	3,078	-	-	29,911
Administration - general	69,571	-	5,203	-	-	74,774
Administration - school	62,138	-	10,546	16,939	3,250	92,873
Administration - business	44,779	-	7,536	-	5,911	58,226
Student transportation	1,283	-	729	-	18,335	20,347
Extracurricular	6,476	-	811	-	-	7,287
School food	22,326	-	9,556	-	90,124	122,006
Capital outlay	26,365	-	-	-	-	26,365
Total expenditures	<u>\$ 1,048,104</u>	<u>\$ 51,420</u>	<u>\$ 167,184</u>	<u>\$ 195,840</u>	<u>\$ 117,620</u>	<u>\$ 1,580,168</u>
Net Change in Fund Balance	<u>\$ 19,099</u>	<u>\$ 666</u>	<u>\$ (27,175)</u>	<u>\$ 8,447</u>	<u>\$ (8,206)</u>	<u>\$ (7,169)</u>
Fund balances - beginning	\$ 116,532	\$ (3,417)	\$ 59,730	\$ 23,116	\$ 32,765	\$ 228,726
Fund balance - ending	<u>\$ 135,631</u>	<u>\$ (2,751)</u>	<u>\$ 32,555</u>	<u>\$ 31,563</u>	<u>\$ 24,559</u>	<u>\$ 221,557</u>

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (7,169)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	26,365
- Depreciation expense	(30,962)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	(5,211)
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The change in compensated absences is shown as an expense in the Statement of Activities

5,055

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(74,819)
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Change in net position - Statement of Activities

\$ (86,741)

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 8,823	\$ 36,152
Total assets	\$ 8,823	\$ 36,152
LIABILITIES		
Warrants payable	\$ -	\$ 36,152
Total liabilities	\$ -	\$ 36,152
NET POSITION		
Assets held in trust	\$ 8,823	

See accompanying Notes to the Financial Statements

Kila Public School, Flathead County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Student activities	\$ <u>15,530</u>
Total additions	\$ <u>15,530</u>
 DEDUCTIONS	
Student activities	\$ <u>14,427</u>
Total deductions	\$ <u>14,427</u>
Change in net position	\$ <u>1,103</u>
 Net Position - Beginning of the year	 \$ 7,720
Net Position - End of the year	\$ <u><u>8,823</u></u>

See accompanying Notes to the Financial Statements

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, the governmental are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Tuition Fund – Authorized by Section 20-5-323 and 324, MCA, to finance tuition costs for school district pupils attending schools or detention centers outside their district.

Retirement Fund – Authorized by Section 20-9-501, MCA, for the purpose of financing the employer’s contribution to the Teachers’ Retirement System (TRS), the Public Employees Retirement System (PERS), Unemployment Compensation and Social Security. It is funded by a countywide levy for retirement.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

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Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2014, consisted of certificates of deposit and U.S. Government Securities. The Flathead County external investment pool is unrated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 S. Main Street, Kalispell, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2014.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

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Deposits

The District's deposit balance at year end was \$2,227 and the bank balance was \$2,227. The District's bank balance at year end was fully insured by NCUA.

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	20 years
Equipment	5 – 20 years

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has no infrastructure to include in the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 5,666	\$ -	\$ 5,666
Other capital assets:			
Buildings	\$ 952,363	\$ 15,284	\$ 967,647
Improvements other than buildings	140,519	-	140,519
Machinery and equipment	103,527	11,081	114,608
Total other capital assets at historical cost	\$ 1,196,409	\$ 26,365	\$ 1,222,774
Less: accumulated depreciation	\$ (486,276)	\$ (30,962)	\$ (517,238)
Total	<u>\$ 715,799</u>	<u>\$ (4,597)</u>	<u>\$ 711,202</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Instructional – regular	\$ 21,098
Supporting services – operations and maintenance	948
Supporting services – educational media services	966
Extracurricular	669
School food	255
Unallocated	<u>7,026</u>
Total governmental activities depreciation expense	<u>\$ 30,962</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

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 June 30, 2014

Governmental Activities:

	Balance			Balance	Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>
Compensated absences	\$ 45,798	\$ -	\$ (5,055)	\$ 40,743	\$ 10,675
Other post-employment benefits*	<u>317,183</u>	<u>74,819</u>	<u>-</u>	<u>392,002</u>	<u>-</u>
Total	<u>\$ 362,981</u>	<u>\$ 74,819</u>	<u>\$ (5,055)</u>	<u>\$ 432,745</u>	<u>\$ 10,675</u>

*See Note 7

In prior years the general fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

Each full time teacher is allowed twelve days of paid sick leave each year. These days are accumulated to 90 days. When a teacher retires, the employee will be paid up to 25% of the sick leave accumulated at the employee's current rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

Special Retirement Benefits

The District offers early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The District paid \$16,500, for retirement incentives as of June 30, 2014. The retirement option is described below:

To qualify for this retirement benefit option, the teacher must have been a certified full-time teacher for 5 years or more at the District. The teacher must also be retiring at the end of the 2013-2014 school year.

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 June 30, 2014

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 445,040
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 445,040
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 728,222
UAAL as a percentage of covered payroll	61.11%

Annual OPEB Cost and Net OPEB Obligation. 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 74,819
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	\$ 74,819
Contributions made	-
Increase in net OPEB obligation	\$ 74,819
Net OPEB obligation - beginning of year	317,183
Net OPEB obligation - end of year	\$ 392,002

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 8. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

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 June 30, 2014

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>		<u>TRS</u>
2012	\$ 11,746	\$	60,498
2013	\$ 11,236	\$	48,490
2014	\$ 13,687	\$	66,566

NOTE 9. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

KILA PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Retirement	\$ 32,555	Employer portion of retirement benefits
Miscellaneous Programs	31,563	Third party grantor restrictions
All Other Aggregate	3,844	Student transportation services
	6,302	School food services
	1,475	Operations and maintenance
	4,639	Future payment of compensated absences
	<u>8,299</u>	Education media services
Total	<u>\$ 88,677</u>	

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	<u>\$ 35,421</u>

NOTE 11. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
Tuition	<u>\$ (2,751)</u>	Expenditures exceeded revenues	Future tax collections

NOTE 12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

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June 30, 2014

The District is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District is host district for the Flathead County Program of Students with Severe Communications Disorders. This program is a collaborative effort by the school districts of Flathead County to meet the needs to students who have severe communication needs with accompanying behavior and learning difficulties. The goal of the program is to provide a positive environment to meet the unique needs of children and adolescents in these areas. The collaborative effort allows resources to be shared reducing the fiscal impact of these services on each district individually. The member districts provide fiscal responsibility to the Host District in the form of a participation and placement fees, and special education tuition. The Special Education Directors from the participating districts serve as the Advisory Board for the program, and are responsible for monitoring the program's compliance with Montana and Federal rules and regulations including all special education law. All monies collected and spent on this program are handled through the Interlocal Agreement Fund.

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on the FY 98 ANB. Each District is charge a fee for each student participating in the program.

KILA PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 13. RISK MANAGEMENT

The District faces considerable number of risks 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Kila Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	(BUDGETARY	WITH FINAL
			<u>BUDGET</u>	
RESOURCES (INFLOWS):			BASIS) See Note A	
Local revenue	\$ 266,656	\$ 266,656	\$ 267,363	\$ 707
County revenue	-	-	-	-
State revenue	772,386	797,394	797,396	2
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 1,039,042	\$ 1,064,050	\$ 1,064,759	\$ 709
 CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 558,500	\$ 583,508	\$ 579,968	\$ 3,540
Instructional - special education	78,639	78,639	74,496	4,143
Supporting services - operations & maintenance	119,109	119,109	110,287	8,822
Supporting services - general	14,700	14,700	11,843	2,857
Supporting services - educational media services	46,067	46,067	26,443	19,624
Administration - general	71,855	71,855	69,934	1,921
Administration - school	65,049	65,049	62,138	2,911
Administration - business	43,906	43,906	44,423	(517)
Student transportation	1,200	1,200	1,283	(83)
Extracurricular	6,225	6,225	6,476	(251)
School food	19,792	19,792	20,608	(816)
Capital outlay	-	-	37,768	(37,768)
Other current charges	14,000	14,000	-	14,000
Total charges to appropriations	\$ 1,039,042	\$ 1,064,050	\$ 1,045,667	\$ 18,383
 Net change in fund balance			\$ 19,092	
 Fund balance - beginning of the year			\$ 73,081	
Fund balance - end of the year			\$ 92,173	

Kila Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Tuition			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 51,420	\$ 51,420	\$ 52,086	\$ 666
County revenue	-	-	-	-
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 51,420</u>	<u>\$ 51,420</u>	<u>\$ 52,086</u>	<u>\$ 666</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	51,420	51,420	51,420	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	-	-	-	-
Extracurricular	-	-	-	-
School food	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	-	-	-	-
Total charges to appropriations	<u>\$ 51,420</u>	<u>\$ 51,420</u>	<u>\$ 51,420</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 666</u>	
Fund balance - beginning of the year			<u>\$ (3,417)</u>	
Fund balance - end of the year			<u><u>\$ (2,751)</u></u>	

Kila Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ -	\$ 161	\$ 161
County revenue	140,891	140,891	139,848	(1,043)
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 140,891</u>	<u>\$ 140,891</u>	<u>\$ 140,009</u>	<u>\$ (882)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ 111,777	\$ (111,777)
Instructional - special education	-	-	10,891	(10,891)
Supporting services - operations & maintenance	-	-	6,922	(6,922)
Supporting services - general	-	-	135	(135)
Supporting services - educational media services	-	-	3,078	(3,078)
Administration - general	-	-	5,203	(5,203)
Administration - school	-	-	10,546	(10,546)
Administration - business	-	-	7,536	(7,536)
Student transportation	-	-	729	(729)
Extracurricular	-	-	811	(811)
School food	-	-	9,556	(9,556)
Capital outlay	-	-	-	-
Other current charges	167,184	167,184	-	167,184
Total charges to appropriations	<u>\$ 167,184</u>	<u>\$ 167,184</u>	<u>\$ 167,184</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (27,175)</u>	
Fund balance - beginning of the year			<u>\$ 59,730</u>	
Fund balance - end of the year			<u><u>\$ 32,555</u></u>	

**Kila Public Schools, Flathead County
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation**

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	General	Tuition	Retirement
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,064,759	\$ 52,086	\$ 140,009
Combined funds (GASBS 54) revenues	2,444	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,067,203	\$ 52,086	\$ 140,009
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,045,667	\$ 51,420	\$ 167,184
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			
- Encumbrances reported at the beginning of the year	37,857	-	-
- Encumbrances reported at the end of the year	(35,420)	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,048,104	\$ 51,420	\$ 167,184

Note B

The Miscellaneous Programs fund is an ajor special revenue find in which a legally adopted budget is not required.

Kila Public School, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 373,030	\$ 373,030	0%	\$ 846,708	44%
July 1, 2012	\$ -	\$ 445,040	\$ 445,040	0%	\$ 728,222	61%

SUPPLEMENTAL INFORMATION

Kila Public School
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
Scholarship Fund	\$ 2,104	\$ 725	\$ 602	\$ 2,227
5th Grade	306	6,129	4,355	2,080
7-8th Grade	950	8,028	8,978	-
Pop Funds	-	-	-	-
Computer	1,210	-	-	1,210
Library Books	1,608	-	-	1,608
Year Book	1,374	610	492	1,492
Miscellaneous	-	-	-	-
Interest	168	38	-	206
Total	\$ <u>7,720</u>	\$ <u>15,530</u>	\$ <u>14,427</u>	\$ <u>8,823</u>

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

Board of Trustees
Kila Public School
Flathead County
Kila, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kila Public School, Flathead County, Montana, 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 and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kila Public School, Flathead County, Montana'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 Kila Public School, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Kila Public Schools' internal control over financial reporting.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider a significant deficiency listed as item 2014-001.

2014-001 Cash Disbursements for Referee Payments – Internal Control Weakness

Condition:

The District does not maintain documentation supporting payments made to referees.

Context:

We reviewed the internal controls in place over referee payments.

Criteria:

Strong internal control procedures would include documenting payment to referees with completed and signed claim documents.

Effect:

Internal controls over cash disbursements for referee payments are weak.

Cause:

The District was not maintaining adequate documentation regarding these disbursements.

Recommendation:

We recommend the District maintain adequate controls over cash disbursements for referee payments by keeping a log of signed claim documents for each referee payment disbursed.

Auditee Response:

Kila School will re-establish an accounting record of all referees, with signatures verifying they have received their check.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kila Public Schools' 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*.

Kila Public School's Response to Findings

Kila Public School's response to the findings identified in our audit is described above. Kila Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Denning, Downey and Associates, CPA's, P.C.

June 22, 2015

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Kila Public School
Flathead County
Kila, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Controls Over Referee Checks	Repeated

Denning, Downey and Associates, CPAs, P.C.

June 22, 2015