

POWELL COUNTY HIGH SCHOOL  
Powell County  
Deer Lodge, Montana

AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION, AND  
REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

JUNE 30, 2014

Powell County High School  
Powell County  
Deer Lodge, Montana

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Powell County High School  
Powell County  
Deer Lodge, Montana

**ORGANIZATION**

June 30, 2014

BOARD OF TRUSTEES

Maureen Mannix	Chairperson
Evan Johnston	Vice-Chairperson
Darryl Barton	Trustee
Donna Gravely	Trustee
Dave Lowery	Trustee
Colleen Owens	Trustee
Mark Vetter	Trustee

OFFICERS

Rick Duncan	Superintendent
Kerry Glisson	Principal
Annette Meagher	Business Manager, Clerk
Lewis Smith	County Attorney
Jules Waber	County Superintendent



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Powell County High School  
709 Missouri Avenue  
Deer Lodge, Montana 59722

### 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 Powell County High School (High School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the High School'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; 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 of material misstatement.

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

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

### *Opinions*

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

### *Report on Summarized Comparative Information*

We have previously audited the High School's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, and schedule of revenues and expenditures – budget and actual reported on page 30, 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 Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the High School's basic financial statements. The schedule of school district enrollment on page 31 and the schedule of cash receipts and disbursements of the student activity fund on page 32, required by the State of Montana, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of school district enrollment and the schedule of cash receipts and disbursements of the student activity fund are the responsibility of management and were derived from and relate 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of school district enrollment and the schedule of cash receipts and disbursements of the student activity fund 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 December 23, 2014, on our consideration of the High School'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the High School's internal control over financial reporting and compliance.



Randall, Hensel & Company  
Certified Public Accountants

December 23, 2014  
Missoula, Montana

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

The Superintendent and Business Manager/Clerk of Powell County High School District have provided Management's Discussion and Analysis (MD & A) to give the reader of these statements an overview of the financial position and activities for the fiscal year ending June 30, 2014. Please read it along with the District's basic financial statements, which begins on page 12, and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

Powell County High School's financial operations remained relatively steady in FY14. Total net position decreased by \$71,000, or 4%, compared to a decrease of 5% in FY13.

Total general revenues increased by \$127,000 or 5%; which consisted of an increase of \$127,000 or 12% in property tax revenues (up from an 3% decrease in FY13); an increase of \$69,000 or 31% in county assistance in the retirement fund; a decrease of \$47,000 or 3% in state assistance in comparison to a 0% decrease in FY13.

Total program revenues decreased by \$151,000 or 38%; which consisted primarily of a decrease of \$154,000 or 90% in tuition and fees. In addition federal grants revenues increased by \$9,000 or 9%, state funding decreased by \$7,000 or 7%, and county transportation funds increased by 9% or \$1,000.

Total expenses decreased by \$39,000, or 1%. While total revenues decreased by \$12,000 or 0%.

**USING THIS ANNUAL REPORT**

This annual report consists of financial statements for Powell County High School District as a whole with more detailed information for certain district funds. The Statement of Net Position and the Statement of Activities (pages 12 and 13) provide information about the activities of Powell County High School District as a whole and presents a long-term view of the District's finances, including capital assets and long-term liabilities.

The fund financial statements present a short-term view of the District's activities (including only current assets expected to be collected, and liabilities expected to be paid in the very near future). They present detailed information about the District's general fund and certain other funds. There is also summarized financial information about the student activity trust fund for which the District acts as the trustee.

**THE SCHOOL AS A WHOLE**

One important question asked about a school district's finances: Is the District better or worse off as a result of the year's activities? The information in the government-wide financial statements helps answer this question. This report includes two district-wide statements (Statement of Net Position and Statement of Activities) that focus on operations of the district as a whole.

These statements include all assets and liabilities using the accrual basis of accounting (reporting depreciation on capital assets), which is similar to the basis of accounting used by most private sector companies. Activities that are fiduciary in nature are not included in these statements.

**POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

**THE SCHOOL AS A WHOLE, continued**

The Statement of Net Position (page 12) shows the “assets” (what is owned), “deferred outflows” (consumption of net asset applicable to future reporting period), “liabilities” (what is owed), “deferred inflows” (acquisition of net asset applicable to a future period), and the “net position” (the resources that would remain if all obligations were settled) of the school district. The Statement of Activities, (page 13) shows the amounts of program-specific and general school district revenues used to support the District’s various functions.

The changes in net position (total assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources) over time are one indicator of whether the District’s financial health is improving or deteriorating. However you need to consider other non-financial factors in assessing the District’s health, 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 health of the District.

**Changes in the District’s net position (rounded to the nearest \$1,000) were as follows:**

	2014	2013	Dollar Change	Percent Change
Current assets	831,000	885,000	(54,000)	-6%
Capital assets - net	1,744,000	1,828,000	(84,000)	-5%
Total assets	<u>2,575,000</u>	<u>2,713,000</u>	<u>(138,000)</u>	-5%
Current liabilities	155,000	103,000	52,000	34%
Non-current liabilities	607,000	726,000	(119,000)	-20%
Total liabilities	<u>762,000</u>	<u>829,000</u>	<u>(67,000)</u>	-9%
Net investment in capital assets	1,744,000	1,828,000	(84,000)	-5%
Restricted component net position	411,000	423,000	(12,000)	-3%
Unrestricted component net position	<u>(342,000)</u>	<u>(367,000)</u>	<u>25,000</u>	-7%
Net position	<u><u>1,813,000</u></u>	<u><u>1,884,000</u></u>	<u><u>(71,000)</u></u>	-4%

## DEER LODGE, MONTANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

#### THE SCHOOL AS A WHOLE, continued

Current assets are comprised of cash, prepaid expenses, property taxes receivable, and amounts due from other governments. The decrease in current assets is a result of the net change to the following accounts: no change in cash, increase in property taxes receivable of \$15,000, decrease in protested taxes receivable of \$74,000, and a decrease in prepaid expenses of \$4,000. Additionally, an increase in receivables from other governments of \$9,000.

Net capital assets – net decrease by \$84,000, or 5% due primarily to depreciation expense for the year of \$112,000, capital asset purchases of 38,000, and disposal of assets with carrying value of \$10,000. The net-change between capital asset acquisitions and the current year depreciation expense can be found on pages 23-24.

Current liabilities increased by \$52,000 or 34%, due primarily to a decrease in the amounts payable for tuition reimbursement from the state at the end of the year for students enrolled in the Great Divide Educational Services at Galen of \$61,000, an increase due to accrued wages and benefits of \$91,000, increase in unearned revenues of \$20,000, and an increase in compensated absences due within one year of \$2,000.

Non-current liabilities decreased by \$119,000, or 20% due primarily to a decrease in the OPEB liability of \$124,000 and an increase in compensated absences of \$5,000.

The restricted component of net position represents tax-supported funds that are earmarked for special purposes. The decrease of \$12,000 or 3% is attributed to the changes in fund balances and unearned revenue in the following funds: transportation decrease \$12,000, bus depreciation increase \$25,000, tuition decrease \$4,000, technology decreased \$1,000, retirement decreased \$21,000, adult education increase \$1,000, with no changes noted to the building reserve funds.

#### Changes in program revenues (rounded to the nearest \$1,000) were as follows:

	2014	2013	Dollar Change	Percent Change
Program revenues:				
Federal grants	113,000	104,000	9,000	9%
State funding	99,000	106,000	(7,000)	-7%
County transportation funding	12,000	11,000	1,000	9%
Tuition and fees	18,000	172,000	(154,000)	-90%
Total program revenue	242,000	393,000	(151,000)	-38%

**POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

**THE SCHOOL AS A WHOLE, continued**

Total program revenues decreased by \$151,000 or 38%; which consisted primarily of a decrease of \$154,000 or 90% in tuition and fees, due to the elimination of services at the Galen residential facility.

In addition federal grants revenues increased by \$9,000 or 9%, state funding decreased by \$7,000 or 7%, and county transportation funds increased by 9% or \$1,000. Although federal grants increased, key funding sources in Title programs decreased by 10% in Title IA and 33% in Title IIA. A new federal grant program, Title IVA was made available to for the first time.

**Changes in general revenues (rounded to the nearest \$1,000) were as follows:**

	2014	2013	Dollar Change	Percent Change
General revenues:				
Property taxes	1,198,000	1,071,000	127,000	12%
State assistance	1,424,000	1,471,000	(47,000)	-3%
County assistance	295,000	226,000	69,000	31%
Gain/Loss on disposal of asset	(10,000)	0	(10,000)	-100%
Federal assistance	2,000	2,000	0	0%
Investment earnings	2,000	2,000	0	0%
Total general revenue	2,911,000	2,772,000	139,000	5%
Total program revenue	242,000	393,000	(151,000)	-38%
Total revenue	3,153,000	3,165,000	(12,000)	0%

POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

THE SCHOOL AS A WHOLE, continued

Changes in the District's expenses (rounded to the nearest \$1,000) were as follows:

	2014	2013	Dollar Change	Percent Change
Expenses:				
Instructional services	1,242,000	1,147,000	95,000	8%
Supportive services	80,000	77,000	3,000	4%
Educational media	95,000	81,000	14,000	17%
General administration	199,000	192,000	7,000	4%
School administration	213,000	176,000	37,000	21%
Business administration	94,000	94,000	0	0%
Operations and maintenance	387,000	353,000	34,000	10%
Student transportation	127,000	129,000	(2,000)	-2%
Special programs	358,000	490,000	(132,000)	-27%
Vocational programs	255,000	249,000	6,000	2%
Extracurricular	245,000	202,000	43,000	21%
Special Assessments	5,000	5,000	0	0%
OPEB Expense	(124,000)	0	(124,000)	-100%
Unallocated depreciation	48,000	68,000	(20,000)	-29%
Total expenses	3,224,000	3,263,000	(39,000)	-1%
Less program revenues	242,000	393,000	(151,000)	-38%
Net expenses	2,982,000	2,870,000	112,000	4%
Less general revenue	2,911,000	2,772,000	139,000	5%
Change in net position	(71,000)	(98,000)	27,000	

**POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

**BUDGETARY HIGHLIGHTS**

Current liabilities increase by \$52,000 or 34% due to the State's late transfer of tuition payments regarding the students at the Galen residential facility, compared to 46% in FY13. County assistance increased by \$69,000 or 31% primarily due to retirements and transportation funds.

Although total expenses decreased by \$39,000 or 1%, the resulting expenses in technology related purchases, maintenance, and consulting increased supportive services, educational media, and school administration expenses.

The High School's General Fund expenditures for 2013-2014 exceeded budget authority by \$72,367. The final year payment for teacher salaries was paid in July 2014, and was accrued as of June 30, 2014 for budget purposes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's investment in capital assets, as of June 30, 2014, amounts to \$1,744,000 (net of accumulated depreciation) as compared to \$1,828,000 on June 30, 2013. Capital assets include school buildings and grounds, buses, vehicles, and other equipment. The \$84,000 decrease was a result of the \$38,000 in additions to capital assets, current year depreciation expense of \$112,000, and disposal of asset with carrying value of \$10,000. Of the \$112,000 of depreciation expense, \$40,000 was allocated to extracurricular programs, \$16,000 to vocational programs, \$8,000 to operation and maintenance, and \$48,000 was not allocated.

The District currently has no outstanding debt related to capital assets.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant of the District's funds. Under this 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 in which the assets, liabilities, revenues, or expenditures exceed 10% of total governmental amounts and 5% of total governmental and enterprise funds, if applicable. In 2014, the Bus Depreciation Reserve Fund, and Retirement Fund exceeded these thresholds and are reported separately in the Governmental balance sheet and statement of revenues, expenditures, and changes in fund balances.

The General Fund is the High School's primary operating fund and the largest source of day-to-day operating services delivery. The General Fund's fund balance decreased by \$32,000 in 2014 compared to a fund balance decrease by \$18,000 in 2013, due to a decrease in state aid, teacher retirement, and retirement fund reserve pay out to the state from HB377.

**POWELL COUNTY HIGH SCHOOL  
DEER LODGE, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

**FUND FINANCIAL STATEMENTS, continued**

The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting, 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.

As shown on page 15, the total governmental fund balances decreased by \$45,000 in 2014. As shown on page 14, there was a decrease of \$71,000 in government-wide net assets. The difference between these amounts is reconciled on page 16.

**THE FUTURE OF THE DISTRICT**

The FY2014 General Fund Budget remained flat, increasing by only \$15,000 from the FY2013 budget. Fortunately, that is a direct result of the successful passage of a \$65,000 levy.

The District's enrollment as a reflection of ANB entitlement count continues to decrease and will further spiral downward in the forthcoming years. Fortunately, districts may calculate their BASE and maximum budgets using current year ANB or a 3-year ANB averaging, whichever is higher. In addition to decreased enrollment on the PCHS campus, the closing and relocation, out of District, of the Galen residential facility will dramatically impact enrollment decreases in the coming years.

Technology and related technology services continue to financially burden the district as we try to meet the growing demand and mandates of technology needs in curriculum and state testing.

Although we continue to meet the limits allowed on the budget reserves, the district should strive to increase its excess reserves.

The shifting burden on local property taxes will not shrink unless the state's share increases. The issue of adequate and equitable funding for public education in Montana will continue to be one of the most important issues of future Legislative Sessions.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the High School's finances, comply with finance-related laws and regulations, and demonstrate the High School's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the High School's business office at Powell County High School, 709 Missouri Avenue, Deer Lodge, Montana, 59722 or call 406-846-2757.

## **BASIC FINANCIAL STATEMENTS**

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

STATEMENT OF NET POSITION  
June 30, 2014

(With Comparative Amounts as of June 30, 2013)

	2014		2013
<b>ASSETS:</b>			
Cash and Investments	\$ 663,274	\$	663,778
Property Taxes Receivable	66,680		51,711
Property Taxes Receivable - Protested	83,515		158,054
Prepaid Expenses	0		3,950
Due from:			
Federal Grants Receivable	14,964		0
State Government	2,333		7,858
Capital Assets:			
Land, Building, Improvements and Equipment	4,092,497		4,070,702
Less Accumulated Depreciation	(2,348,622)		(2,243,191)
Net Capital Assets	1,743,875		1,827,511
<b>TOTAL ASSETS</b>	<b>\$ 2,574,641</b>	<b>\$</b>	<b>2,712,862</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 0	\$	61,178
Accrued Wages and Benefits	91,300		0
Unearned Revenues	30,601		10,562
Compensated Absences, due within one year	33,305		30,916
Compensated Absences, due in more than one year	111,125		106,645
Other Postemployment Benefits Liability (OPEB)	495,498		619,176
<b>TOTAL LIABILITIES</b>	<b>\$ 761,829</b>	<b>\$</b>	<b>828,477</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets	\$ 1,743,875	\$	1,827,511
Restricted	411,470		423,795
Unrestricted	(342,533)		(366,921)
<b>TOTAL NET POSITION</b>	<b>\$ 1,812,812</b>	<b>\$</b>	<b>1,884,385</b>

The accompanying notes are an integral part  
of these financial statements.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

(With Comparative Amounts for the Year Ended June 30, 2013)

	Program Revenue		Net (Expense)/Revenue and Change in Net Position		
Expenses	Charges for Services	Operating Grants	2014	2013	
<b>GOVERNMENT ACTIVITIES:</b>					
Instructional Services	\$ 1,242,270	\$ 5,057	\$ 2,306	\$ (1,234,907)	\$ (1,113,419)
Supportive Services	79,591			(79,591)	(92,594)
Educational Media	94,958			(94,958)	(66,000)
General Administration	199,410			(199,410)	(191,378)
School Administration	212,467			(212,467)	(176,248)
Business Administration	94,232			(94,232)	(94,176)
Operations and Maintenance	387,404			(387,404)	(353,809)
Student Transportation	127,082		24,394	(102,688)	(107,482)
Special Programs	358,318		187,004	(171,314)	(176,705)
Vocational Programs	254,710		23,121	(231,589)	(224,007)
Extracurricular	244,727			(244,727)	(201,833)
Special Assessments	4,663			(4,663)	(4,665)
OPEB Expense	(123,678)			123,678	0
Unallocated Depreciation- Excludes Direct Depreciation Expense	47,905			(47,905)	(67,730)
<b>TOTALS</b>	<b>\$ 3,224,059</b>	<b>\$ 5,057</b>	<b>\$ 236,825</b>	<b>\$ (2,982,177)</b>	<b>\$ (2,870,046)</b>
<b>GENERAL REVENUES</b>					
Property Taxes				\$ 1,197,929	\$ 1,071,131
State Assistance				1,423,256	1,470,726
County Property Taxes				295,484	225,806
Gain/(Loss) on Disposal of Asset				(10,005)	0
Federal Payments				2,156	2,084
Investment Earnings				1,784	2,054
<b>TOTAL GENERAL REVENUES</b>				<b>\$ 2,910,604</b>	<b>\$ 2,771,801</b>
<b>CHANGES IN NET POSITION</b>				<b>\$ (71,573)</b>	<b>\$ (98,245)</b>
<b>NET POSITION</b>					
Beginning of Year				1,884,385	1,982,630
End of Year				<b>\$ 1,812,812</b>	<b>\$ 1,884,385</b>

The accompanying notes are an integral part  
of these financial statements.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	General	Bus Dep. Reserve	Retirement	Funds	
	Fund	Fund	Fund		
<b>ASSETS:</b>					
Cash and Investments	\$ 249,136	\$ 244,305	\$ 101,890	\$ 67,944	\$ 663,275
Property Taxes Receivable	51,638	3,295	0	11,747	66,680
Property Taxes Receivable - Protested	63,324	3,896	0	16,295	83,515
Due from Other Governments	0	0	0	17,297	17,297
<b>TOTAL ASSETS</b>	<b>\$ 364,098</b>	<b>\$ 251,496</b>	<b>\$ 101,890</b>	<b>\$ 113,283</b>	<b>\$ 830,767</b>
<b>LIABILITIES:</b>					
Accrued Wages and Benefits	\$ 72,893	\$ 0	\$ 12,249	\$ 6,158	\$ 91,300
Unearned Revenues	0	0	0	30,601	30,601
<b>TOTAL LIABILITIES</b>	<b>\$ 72,893</b>	<b>\$ 0</b>	<b>\$ 12,249</b>	<b>\$ 36,759</b>	<b>\$ 121,901</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes Deferred	<b>\$ 114,962</b>	<b>\$ 7,191</b>	<b>\$ 0</b>	<b>\$ 28,043</b>	<b>\$ 150,196</b>
<b>FUND BALANCE:</b>					
Restricted	\$ 0	\$ 244,305	\$ 89,641	\$ 48,481	\$ 382,427
Unassigned	176,243	0	0	0	176,243
<b>TOTAL FUND BALANCE</b>	<b>\$ 176,243</b>	<b>\$ 244,305</b>	<b>\$ 89,641</b>	<b>\$ 48,481</b>	<b>\$ 558,670</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 364,098</b>	<b>\$ 251,496</b>	<b>\$ 101,890</b>	<b>\$ 113,283</b>	<b>\$ 830,767</b>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Total Fund Balance from Above	\$ 558,670
Add: Capital Assets not Reported in Fund Financial Statements	4,092,497
Less: Accumulated Depreciation not Reported in Fund Financial Statements	(2,348,622)
Less: Liabilities for Compensated Absences not Reported Above	(144,430)
Less: Liabilities for Other Postemployment Benefits not Reported Above	(495,498)
Add: Property Taxes Receivable Recognized as Revenue in the Government-Wide Statements	150,195
Net Position	<b>\$ 1,812,812</b>

The accompanying notes are an integral part of these financial statements.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

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

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	General Fund	Bus Dep. Reserve Fund	Retirement Fund	Funds	
REVENUES:					
Property Taxes	\$ 981,239	\$ 62,010	\$ 0	\$ 214,251	\$ 1,257,500
County Revenues	0	0	295,385	43,246	338,631
State Assistance	1,478,674	372	0	12,295	1,491,341
Federal Revenues	1,732	128	0	113,515	115,375
Interest on Investments	501	842	196	246	1,785
Other Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,429</u>	<u>17,429</u>
<b>TOTAL REVENUES</b>	<b>\$ 2,462,146</b>	<b>\$ 63,352</b>	<b>\$ 295,581</b>	<b>\$ 400,982</b>	<b>\$ 3,222,061</b>
EXPENDITURES:					
Instructional Services	\$ 928,244	\$ 0	\$ 165,481	\$ 141,677	\$ 1,235,402
Supportive Services	71,039	0	8,552	0	79,591
Educational Media	84,787	0	10,171	0	94,958
General Administration	173,391	0	16,955	9,063	199,409
School Administration	197,528	0	14,939	0	212,467
Business Administration	81,510	0	8,198	4,524	94,232
Operation and Maintenance	344,165	111	19,369	15,740	379,385
Student Transportation	270	0	0	126,813	127,083
Special Programs	213,673	0	33,962	110,684	358,319
Vocational Programs	205,179	0	22,125	11,528	238,832
Extracurricular	187,109	0	17,190	0	204,299
Special Assessments	0	0	0	4,662	4,662
Capital Outlay	<u>7,573</u>	<u>0</u>	<u>0</u>	<u>31,025</u>	<u>38,598</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,494,468</b>	<b>\$ 111</b>	<b>\$ 316,942</b>	<b>\$ 455,716</b>	<b>\$ 3,267,237</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (32,322)</b>	<b>\$ 63,241</b>	<b>\$ (21,361)</b>	<b>\$ (54,734)</b>	<b>\$ (45,176)</b>
OTHER FINANCING SOURCES/(USES)					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 35,000	\$ 35,000
Transfers Out	<u>0</u>	<u>(35,000)</u>	<u>0</u>	<u>0</u>	<u>(35,000)</u>
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<b>\$ 0</b>	<b>\$ (35,000)</b>	<b>\$ 0</b>	<b>\$ 35,000</b>	<b>\$ 0</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ (32,322)</b>	<b>\$ 28,241</b>	<b>\$ (21,361)</b>	<b>\$ (19,734)</b>	<b>\$ (45,176)</b>
<b>FUND BALANCE, Beginning of Year</b>	<b><u>208,565</u></b>	<b><u>216,064</u></b>	<b><u>111,002</u></b>	<b><u>68,215</u></b>	<b><u>603,846</u></b>
<b>FUND BALANCE, End of Year</b>	<b><u><u>176,243</u></u></b>	<b><u><u>244,305</u></u></b>	<b><u><u>89,641</u></u></b>	<b><u><u>48,481</u></u></b>	<b><u><u>558,670</u></u></b>

The accompanying notes are an integral part  
of these financial statements.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Change in Fund Balances as Reported on the Governmental Fund Statement	\$	(45,176)
Increase/(Decrease) in Property Taxes Receivable not Reflected in Revenue In the Governmental Funds Statement		(59,570)
Expenses on the Governmental Funds Statement not Included in the Government-wide Statement:		
Capital Outlay		38,598
Depreciation Expense		(112,229)
Loss on disposal of Asset		(10,005)
(Increase)/Decrease in Compensated Absences		(6,869)
(Increase)/Decrease in OPEB Liability		<u>123,678</u>
Change in Net Position on the Government-wide Statement of Activity	\$	<u><u>(71,573)</u></u>

The accompanying notes are an integral part  
of these financial statements.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

STUDENT ACTIVITY FUND

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

As of June 30, 2014

ASSETS	<u>PRIVATE PURPOSE TRUST FUND</u>
Cash	\$ <u><u>72,443</u></u>
NET POSITION	
Held in Trust for Student Activities	\$ <u><u>72,443</u></u>

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2014

ADDITIONS:	
Revenue from Student Activities	\$ 196,310
DEDUCTIONS:	
Expenses of Student Activities	<u>188,953</u>
CHANGE IN NET POSITION (HELD IN TRUST)	\$ 7,357
FIDUCIARY NET POSITION, Beginning of Year	<u>65,086</u>
FIDUCIARY NET POSITION, End of Year	\$ <u><u>72,443</u></u>

The accompanying notes are an integral part  
of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. ORGANIZATION

Powell County High School, of Deer Lodge, Montana, (High School), delivers public education services for grades nine through twelve to residents of Powell County and Deer Lodge, Montana. The operations of the High School are controlled by a Board of Trustees, elected in a school-wide election, and are responsible for all activities of the High School.

The financial statements include all of the High School's operations controlled by the Board of Trustees. Based on the financial accountability and special-purpose government criteria for determining the reporting entity the District is considered an independent reporting entity and has no component units. The High School has a separately elected governing body, is legally separate, and is fiscally independent.

The High School functions in a fiduciary capacity relating to the Student Extracurricular Fund, reflected herein as Private-Purpose Trust Fund.

The High School participates in the Great Divide Education Services (Cooperative), which provides special education services to all members of the Cooperative. The High School's contribution is not determinable as the contribution is sent directly to the Cooperative from the State of Montana. This reduces the State's contribution to the High School for its special education programs.

B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

*Government-wide Statements* - The statement of net position and the statement of activities show information about the overall financial position and activities of the High School with the exception of the student activity fund. The Student Activity Fund, which accounts for the extracurricular activities of the High School's students, is reported as a private-purpose trust fund in the fund financial statements section.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the High School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING, continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the High School's governmental activities. Direct expenses are those that are specifically associated with a program or function. The High School does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily tuition), grants, and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

*Fund Financial Statements* - These statements provide information about the High School's funds, including a separate statement for the High School's Private-Purpose Trust Fund (Student Activity Fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Except for the private-purpose trust fund, which is reported using the economic resources measurement focus and the accrual basis of accounting, these funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenue is reported on the cash basis because most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred revenues are recorded in the governmental funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences and post-employment benefits other than pension, which are recognized as expenditures when paid. 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.

Under the terms of the High School's grant agreements, certain programs are funded by specific cost-reimbursement grants. Generally, the High School applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

The general fund is required to be reported as a major fund and all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Budgetary comparisons are required to be presented for the general fund and for each major special revenue fund, which has a legally adopted annual budget.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING, continued

The High School reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund and is used for financing general maintenance and operational costs of the High School not financed by other funds. The General Fund is a budgeted fund.

Bus Depreciation Reserve Fund - The Bus Depreciation Reserve Fund is a budgeted Special Revenue Fund authorized by Section 20-10-147, MCA, for the purpose of conversion, remodeling, or rebuilding of a bus or for the replacement of a bus or radio. The fund may also be used to purchase an additional bus for purpose of transportation.

Retirement Fund - The Retirement Fund is a budgeted Special Revenue Fund authorized by Section 20-9-501, MCA, for the purpose of financing the High School's required contribution to teachers' retirement system and the public employees' retirement systems. The fund may be used only to make contributions to the retirement system and pay federal social security taxes.

C. CASH AND INVESTMENTS

Cash, except Student Extracurricular, is held by the County Treasurer and pooled with other County cash. The County Treasurer invests the pooled cash pursuant to State law Section 20-9-213[4], MCA. Allowable investments include repurchase agreements, direct obligations of the United States Government, saving or time deposits in a state or national bank, building and loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA, located in the state. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Section 17-6-204, MCA.

D. PROPERTY TAXES

Most property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed in October and are payable one-half on November 30, and one-half on May 31. Property taxes are maintained and collected by the County Treasurer. Tax levies are limited by a variety of funding formulas developed by the State of Montana, which are designed to equalize school funding throughout the state. Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred revenue in the fund financial statements. The High School does not record an allowance for uncollectible taxes because it is immaterial.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

E. INVENTORIES

Supplies obtained are recorded as expenditures at the time of purchase. Inventories were immaterial and, therefore, not recorded.

F. PREPAID EXPENSES

Prepaid expenses consist of annual dues and insurance paid in June for applicable future periods.

G. CAPITAL ASSETS

Capital assets are carried at actual or estimated historical cost based on appraisals. Repairs and maintenance costs are not capitalized. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Other capital assets are depreciated using the straight-line method over estimated useful lives of 5 to 25 years for equipment and vehicles, and 50 to 100 years for buildings and improvements.

H. UNEARNED REVENUE

Unearned revenue in the governmental fund financial statements is a liability account that reports amounts received in advance of providing goods or services.

I. COMPENSATED ABSENCES

Non-certified High School employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total 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 all non-certified staff. Certified staff earns 15 days of sick leave per year with a maximum accumulation of 150 days. Upon retirement or termination, non-certified employees are paid for 100% of unused vacation leave and 25% of unused sick leave at their current rate of pay.

Any tenured teacher who leaves the district will be eligible to receive payment for one-fourth (1/4) of their unused sick leave at the rate of \$65 per day. Any teacher, who had been employed by the district for 10 years, shall be eligible to receive payment for one-fourth of their unused sick leave at their current rate of salary, up to the maximum of \$6,500. Payment will depend upon the availability of funds and may be delayed until July 1 of the year following termination.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

J. OTHER POST-EMPLOYMENT BENEFITS

The High School recognizes and reports its post-employment health care benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension*. The High School implemented GASB No. 45 effective July 1, 2010.

K. DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCE, AND NET POSITION

The High School recognizes and reports transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows of resources and deferred inflows of resources, respectively, and distinguishes them from assets and liabilities. Additionally, the High School recognizes and reports as the residual of all other elements presented in the statement of financial position as net position. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented by the High School on July 1, 2012.

L. ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES

The High School has early implemented GASB Statement No. 65 *Item Previously Reported as Assets and Liabilities*. This statement properly classifies certain items that were previously reports as assets and liabilities as deferred outflows of resources or deferred inflows of resources. As it pertains to the High School, deferred property tax revenues have been reclassified as deferred inflows of resources. In addition, the account formerly referred to as deferred revenues has been segregated into two accounts “unearned revenues” and “property taxes deferred”.

M. COMPARATIVE TOTALS

The government-wide financial statements include prior-year comparative totals and are not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, these totals should be read in conjunction with the government-wide financial statements for the year ended June 30, from which they have been derived.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

N. RISK MANAGEMENT

The High School is exposed to a number of risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and participants, and natural disasters. Commercial insurance policies are purchased for loss or damage resulting from these risks. Settled claims have not exceeded the amount of any commercial coverage or the legally defined liability limits.

NOTE 2. **CASH AND INVESTMENTS**

The High School participates in the Powell County Treasurer's investment program. All funds deposited with the County Treasurer are pooled and invested in accordance with state law. Interest earnings are allocated to the High School based on month-end balances and are distributed monthly. Funds are withdrawn as needed to pay warrants.

It is not practical for the High School to determine the investment risk, collateral or insurance coverage for its share of these pooled investments. Information as to the County Treasurer's investment pool can be obtained from the Powell County's annual financial report.

The Student Extracurricular fund is deposited in an interest-bearing checking account covered by FDIC insurance.

NOTE 3. **CAPITAL ASSETS**

Changes in capital assets were as follows for the year ended June 30:

	2013	Additions	Deletions
Capital Assets Not Subject to Depreciation			
Land	\$ 40,637	0	0
Capital Assets Subject to Depreciation			
Land Improvements	152,985	0	0
Buildings	1,777,200	0	0
Building Improvements	1,273,458	11,593	0
Equipment & Vehicles	826,422	27,005	(16,803)
Total	<u>\$ 4,070,702</u>	<u>38,598</u>	<u>(16,803)</u>

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3. **CAPITAL ASSETS**, continued

Changes in accumulated depreciation was as follows for the year ended June 30:

	2013	Additions	Deletions	2014
Land Improvements	\$ 109,823	6,211	0	\$ 116,034
Buildings	934,864	20,743	0	955,607
Building Improvements	690,060	21,672	0	711,732
Equipment & Vehicles	508,444	63,603	(6,798)	565,249
<b>Total</b>	<b>\$ 2,243,191</b>	<b>112,229</b>	<b>(6,798)</b>	<b>\$ 2,348,622</b>

Depreciation expense was allocated to functions in the government-wide financial statements as follows:

Extracurricular	\$ 40,427
Vocational Education	15,878
Operations and Maintenance	8,019
Unallocated	47,905
<b>Total Depreciation Expense</b>	<b>\$ 112,229</b>

NOTE 4. **LONG-TERM DEBT**

Changes in long-term debt were as follows:

	Balance June 30, 2013	Additions and Other Changes	Balance June 30, 2014	Due Within One Year
Compensated Absences	\$ 137,561	\$ 6,868	\$ 144,429	\$ 33,305
Other Postemployment Benefits	619,176	(123,678)	495,498	0
<b>Total</b>	<b>\$ 756,737</b>	<b>\$ (116,810)</b>	<b>\$ 639,927</b>	<b>\$ 33,305</b>

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. Vacation pay is classified as compensated absences due within one year and accrued sick leave is classified as noncurrent.

See Note 5 for details on other postemployment benefits.

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 5. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

The High School implemented GASB Statement 45 for fiscal year 2011, and for the first time reported expenses and a liability of the “post-employment benefits other than pension” (OPEB) it provides. Retirees of the High School may continue to participate in its group health insurance plan at a premium rate that does not cover all of the related health care costs. The result is a benefit referred to as an “implicit rate subsidy.” The benefit is considered to be a long-term liability and is recorded on the modified accrual basis of accounting for governmental funds, and on the accrual basis of accounting for proprietary funds and the Government-Wide Statement of Net Assets and Activities.

Plan Description: Powell County High School Employee Group Benefits Plan is a single-employer plan which allows eligible retirees and their dependents the option to continue to participate in the High Schools group health insurance plan. To continue coverage, the retirees are required to pay the full amount of their premium. This health plan is not included in any publicly available financial report.

Retirees of the High School and their eligible dependents shall be eligible under this Plan if the retiree satisfies one of the following conditions: (1) The retired personal was an eligible covered employee under this plan on the day immediately before the date of retirement and retired pursuant to the terms of the Montana Teachers Retirement System or Public Employees Retirement laws and is eligible for coverage pursuant to the terms of 2-18-704, Montana Code Annotated (MCA), as amended from time to time; or (2) The retired personal was an eligible covered employee under this Plan on the day immediately before the date of retirement, was not eligible for retirement under the terms of 2-18-704, MCA, but was eligible for retirement under the terms and conditions of the employment policies and practices of the Member Group with which the person was employed on the day immediately before retirement.

Funding Policy: The contribution requirements of plan members and the school district are established and may be amended by the state legislature. The High School funds these post-retirement benefits on a “pay-as-you-go basis” from their general assets. The High School pays 100% of the premiums for its active employees, spouses, and dependents and nothing to the premium for its retirees.

Annual OPEB Cost and Net OPEB Obligation: GASB Statement No. 45 permits an entity to record the Unfunded Actuarial Accrued Liability (UAAL) for periods ranging from 1 to 30 years. The High School recorded the entire liability of \$619,176 in 2011 and has subsequently adjusted the liability based upon most recent actuarial valuation to \$495,498.

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for the benefit was \$495,498. The covered (annual payroll of active employees covered by the plan) was \$1,382,658, and the ratio of the UAAL to the covered payroll was 35.8 percent.

POWELL COUNTY HIGH SCHOOL  
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 5. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB), continued**

Funded Status and Funding Progress (continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2013, actuarial valuation, the projected unit cost credit method was used. The actuarial assumptions included a 4.25 percent interest/discount rate of return, an annual healthcare cost trend rate of between 4.5 and 7.5 percent, and an annual projected payroll increase of 2.5%. Participation in OPEB is assumed to be 45 percent of future retirees. For the Public Employee's Retirement System, mortality is assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA. For the Montana Teachers Retirement System, mortality is assumed to follow the OP2000 Healthy Combined Mortality Table projected to 2008 using Scale AA with a setback for three years for males and two years for females, and the standard turnover assumption per GASB 45, paragraph 35b. Aging factors are used to adjust the per capita claims cost; below age 65 reduce the claims cost by 4 percent and above age 65 increase the claims costs by 3 percent. Retiree contributions are a weighted average of all retiree contributions for the period July 1, 2013 to June 30, 2014; before Medicare eligible total \$9,938 and after Medicare eligible total \$9,938 for retiree/surviving spouse and \$0 for dependents.

POWELL COUNTY HIGH SCHOOL  
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 6. GOVERNMENT-WIDE RESTRICTED COMPONENT NET POSITION**

Restricted Component Net Position — State law authorizes certain funds and establishes the criteria for property tax levies for specific purposes. The High School classifies the net position of these funds as restricted component net position. The funds and their net positions as of June 30, 2014 were as follows:

Transportation	\$ 46,408
Bus Depreciation Reserve Fund	251,496
Tuition	9,404
Retirement	89,640
Adult Education	7,335
Technology	6,688
Building Reserves	499
Total	<u>\$ 411,470</u>

Generally, the High School applies restricted resources first to expenses when both restricted and unrestricted component net positions are available.

**NOTE 7. FUND BALANCE REPORTING FOR GOVERNMENTAL FUND TYPE**

The High School has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type for the year ending June 30, 2011. Fund Balances for Governmental Fund Types will be classified as the following:

Restricted Fund Balance – Restricted fund balance are fund balances that have been restricted to a specific purpose. For the year ending June 30, 2014 restricted fund balances are as follows:

Bus Depreciation Fund	\$ 244,305
Retirement Fund	89,641
Non-Major Funds	
Transportation Fund	32,176
Tuition Fund	6,132
Adult Education Fund	3,965
Technology Fund	20
Traffic Education Fund	882
Flex Fund	250
Capital Projects Fund	3,177
Debt Service Fund	1,879
Total Restricted Fund Balances	<u>\$ 382,427</u>

POWELL COUNTY HIGH SCHOOL  
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7. **FUND BALANCE REPORTING FOR GOVERNMENTAL FUND TYPE**, continued

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the High School’s general fund and includes all spendable amounts not contained in other classifications. For the year ending June 30, 2014, unassigned fund balances are as follows:

General Fund	\$ <u>0</u>
Total Unassigned Fund Balances	\$ <u><u>0</u></u>

NOTE 8. **RETIREMENT PLANS**

The High School participates in two statewide, mandatory, and cost sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Effective July 1, 2002, the Montana Public Employees Retirement System permits plan members to elect to transfer a portion of their plan entitlement to a defined contribution plan and have their share of plan contributions deposited to a separate account in a defined contribution plan. There is no change in the required contributions from employers, employees, or the State of Montana.

Contribution rates for both plans are required and determined by State law. Effective July 1, 2013 the MTRS and MPERS employee and employer rates increased 1%. The contribution rates for 2014, expressed as a percentage of covered payrolls, were as follows:

	Employer	Employee	State	Total
MTRS	8.47%	8.15%	2.49%	19.11%
MPERS	7.80%	7.90%	0.37%	16.07%

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

	2012	2013	2014
MTRS	\$ 213,211	\$ 195,047	\$ 224,860
MPERS	30,256	31,212	36,687
Total	\$ 243,467	\$ 226,259	\$ 261,547

POWELL COUNTY HIGH SCHOOL  
POWELL COUNTY  
DEER LODGE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 8. RETIREMENT PLANS**, continued

The State's contributions to the plan in 2014 were approximately \$32,213 for MTRS and \$865 for MPERS.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

Montana Teachers Retirement System  
P.O. Box 200139, 1500 Sixth Avenue,  
Helena, Montana, 56920-0139,  
(406) 444-3134

Montana Public Employees Retirement  
P.O. Box 200131, 100 N. Park Avenue  
Helena, Montana, 59620-0131  
(406) 444-3154

**NOTE 9. INTERFUND TRANSFERS**

For the year ending June 30, 2014, the School transferred \$35,000 from the Bus Depreciation Fund to the Building Reserve Fund for purpose of improving the school security and safety, as approved for and during the 63<sup>rd</sup> Legislative Session and passed into law as Senate Bill 348.

**NOTE 10. BUDGET OVERDRAFT**

The High School's General Fund expenditures for 2013-2014 exceeded budget authority by \$72,367. The final year payment for teacher salaries was paid in July 2014, and was accrued as of June 30, 2014 for budget purposes.

**REQUIRED SUPPLEMENTAL INFORMATION**

Supplemental Schedule  
 POWELL COUNTY HIGH SCHOOL  
 POWELL COUNTY  
 DEER LODGE, MONTANA

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES/(USES)  
 BUDGET AND ACTUAL - MAJOR FUNDS

For the Year Ended June 30, 2014

	GENERAL FUND		BUS DEPRECIATION RESERVE FUND		RETIREMENT FUND	
	Original and Amended BUDGET	ACTUAL	Original and Amended BUDGET	ACTUAL	Original and Amended BUDGET	ACTUAL
REVENUES:						
Property Taxes	\$ 941,361	\$ 981,239	\$ 58,647	\$ 62,010	\$ 0	\$ 0
County Revenues	0	0	0	0	295,392	295,385
State Assistance	1,478,518	1,478,674	237	372	0	0
Federal Payment-in-lieu of Taxes	1,532	1,732	0	128	0	0
Interest Income	690	501	670	842	407	196
<b>TOTAL REVENUES</b>	<b>\$ 2,422,101</b>	<b>\$ 2,462,146</b>	<b>\$ 59,554</b>	<b>\$ 63,352</b>	<b>\$ 295,799</b>	<b>\$ 295,581</b>
EXPENDITURES:						
Instructional Services	\$ 937,162	\$ 928,244	\$ 0	\$ 0	\$ 339,000	\$ 165,481
Supportive Services	74,036	71,039	0	0	0	8,552
Educational Media	82,585	84,787	0	0	0	10,171
General Administration	177,477	173,391	0	0	0	16,955
School Administration	172,916	197,528	0	0	0	14,939
Business Administration	90,274	81,510	0	0	0	8,198
Operation and Maintenance	339,436	344,165	275,618	111	0	19,369
Student Transportation	0	270	0	0	0	0
Special Programs	195,023	213,673	0	0	0	33,962
Vocational Programs	218,841	205,179	0	0	0	22,125
Extracurricular	134,351	187,109	0	0	0	17,190
Capital Outlay	0	7,573	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,422,101</b>	<b>\$ 2,494,468</b>	<b>\$ 275,618</b>	<b>\$ 111</b>	<b>\$ 339,000</b>	<b>\$ 316,942</b>
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	\$ 0	\$ (32,322)	\$ (216,064)	\$ 63,241	\$ (43,201)	\$ (21,361)
OTHER SOURCES/(USES)						
Transfer In/(Out)	\$ 0	\$ 0	\$ 0	\$ (35,000)	\$ 0	\$ 0
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 0	\$ (32,322)	\$ (216,064)	\$ 28,241	\$ (43,201)	\$ (21,361)

NOTES:

A budgeted fund means any fund for which a budget must be officially adopted by the board of trustees in order to expend money from the fund (MCA 20-9-201(a)). Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law.

General Fund budgets are based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board approves the original budget by the second Monday in August

GASB Statement 34 requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Budgetary comparisons are required to be presented for the general fund and for each major special revenue fund that has a legally adopted budget. In 2013-2014 the District reports the bus depreciation reserve fund and the retirement fund as a major funds.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. There were no encumbrances as of June 30, 2014 or June 30, 2013.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

**OTHER SUPPLEMENTAL INFORMATION**

Supplemental Schedule  
 POWELL COUNTY HIGH SCHOOL  
 POWELL COUNTY  
 DEER LODGE, MONTANA

SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

	Per Enrollment Records	Per O.P.I. Report	Difference
<b>Total Enrollment by Grade As Reported for Fall 2013</b>			
GRADE			
Ninth	51	51	0
Tenth	69	69	0
Eleventh	54	54	0
Twelfth	52	52	0
TOTAL ALL GRADES	<u>226</u>	<u>226</u>	<u>0</u>
<b>Total Enrollment by Grade As Reported for Winter 2013</b>			
GRADE			
Ninth	49	49	0
Tenth	69	69	0
Eleventh	53	53	0
Twelfth	51	51	0
TOTAL ALL GRADES	<u>222</u>	<u>222</u>	<u>0</u>
<b>Total Enrollment by Grade As Reported for Spring 2014</b>			
GRADE			
Ninth	48	48	0
Tenth	68	68	0
Eleventh	54	54	0
Twelfth	50	50	0
TOTAL ALL GRADES	<u>220</u>	<u>220</u>	<u>0</u>

Supplemental Schedule  
Powell County High School  
Extracurricular Funds - Schedule of Cash Receipts and Disbursements  
June 30, 2014

Activity	Ending Balance 7/1/13	Cash Receipts	Cash Disburse- ments	Transfers	Ending Balance 6/30/14
Activity Tickets	\$ 911	\$ 7,626	\$ 0	\$ (7,452)	\$ 1,085
Agribusiness	10,977	12	317	0	10,672
Annual	7,163	4,162	6,582	800	5,542
Art Club	252	0	0	0	252
Athletics	(2,667)	62,380	69,037	8,100	(1,223)
Band	1,000	2,917	2,344	0	1,574
Breakfast Club	180	601	500	0	281
Cheerleading	601	3,135	2,348	0	1,388
Class of 2014	1,310	1	130	(800)	381
Class of 2015- Seniors	967	4,314	4,541	0	740
Class of 2016- Juniors	403	552	348	0	606
Class of 2017- Sophmores	0	399	259	0	140
Close up Club 14-15	3,880	42,560	41,614	(422)	4,405
Close up Club Savings	2,589	503	709	(226)	2,156
Drama Club	3,534	3,914	1,933	0	5,516
Drivers Ed	1	4,661	4,662	0	(0)
F.C.C.L.A.	81	5,572	5,025	0	628
Fees	1,074	4,868	1,928	(32)	3,982
Future Farmers of America	16,969	30,239	28,111	0	19,097
Home Ec Crafts	501	353	650	0	203
I.A. Shop	840	4,354	4,140	32	1,087
Lettermen's Club	2,739	1,083	1,382	0	2,440
Library Club	96	111	(5)	0	212
Music Festival District 4	995	0	995	0	0
National Honor Society	494	253	551	0	196
PCHS Fishing Club	361	0	0	0	361
PCHS Scholarship Fund	6,149	6,900	6,845	0	6,204
Physical Education Ski Trips	198	1,496	1,584	0	110
Science Breakage	910	1,561	1,560	0	911
Student Council	1,149	1,751	863	0	2,037
VICA	761	1	0	0	762
Voag Shop	668	31	0	0	699
	<u>\$ 65,086</u>	<u>\$ 196,310</u>	<u>\$ 188,953</u>	<u>\$ (0)</u>	<u>\$ 72,443</u>



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  
Powell County High School  
709 Missouri Avenue  
Deer Lodge, Montana 59722

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Powell County High School (High School), as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the High School's basic financial statements and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the High School's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the High School'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 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 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. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items IC 2014-001 that we consider to be significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the High School'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 one instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items C2014-001.

## High School's Response to Findings

The High School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The High School's response was not subjected 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 result 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 High School's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



Randall, Hensel & Company  
Certified Public Accountants

December 23, 2014  
Missoula, Montana

Powell County High School  
Powell County  
Deer Lodge, Montana  
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2014

IC/C 2014-001 – EXPENDITURE LIMITATION OF FINAL BUDGET (Current Year Finding)

The High School's General Fund expenditures for 2013-14 exceeded budget authority by \$72,367 (2.9% of total General Fund budget). Montana Code Annotated (MCA) 20-9-133 (2) states that the trustees and all officers and employees of the district are limited to making expenditures or incurring liabilities to the total amount of each fund's budget.

The accounting records of the High School are maintained on the cash basis of accounting. The expenditure of the twelfth (of 12) contract payments for teacher contracts was paid on July 1, 2014, the following budget year.

State Law (MCA 20-9-213(1)), the Montana School accounting manual, and the High School's policy requires that expenditures be accounted for on the modified accrual basis of accounting. School teacher services were performed in the 2013-14 fiscal year, therefore these expenditures should have been charged to the 2013-14 Budget.

Adjustments have been made by the High School to properly charge these salaries to the 2013-14 budget which results in a budget overdraft. Adjustments have not been made to the Trustees Financial Summary (TFS), but will be reported as a prior period adjustment in the TFS for the year ending June 30, 2015.

The High School should implement procedures to ensure expenditures are charged to the proper year's budget on the modified accrual basis. When budget constraints are identified, responsible officials should consider steps to avoid exceeding the budget. In certain situations a budget amendment could be considered.

STATUS OF PRIOR AUDIT FINDINGS

IC 2013-001 – ENROLLMENT - Resolved

# POWELL COUNTY HIGH SCHOOL

709 Missouri Avenue  
Deer Lodge, MT. 59722-1156

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Kerry Glisson  
Principal  
[kglisson@pchs.dl.k12.mt.us](mailto:kglisson@pchs.dl.k12.mt.us)

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December 22, 2014

To whom it may concern:

Finding: Expenditure Limitation of Final Budget

This finding directly relates to an error by the administration, but negotiated in good faith between the certified bargaining unit, the administration and the trustees of the District. Due to increased expenses specifically in technology acquisitions, maintenance, and consultation, the general fund balance was exhausted at year-end. Budgeting cuts were planned for FY15 as a result, and the twelfth certified salary payment was agreed, by all parties above, to be paid on July 1 of fiscal 2015.

The District has corrected this error, adjustments have been made, and the district will budget accordingly in FY15 and thereafter, to ensure that expenditures are charged to the proper year's budget or a budget amendment will be considered.

Sincerely,

Rick Duncan  
Superintendent

*HOME OF THE WARDENS*

*There's a child behind everything we do*