

SOMERS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

SOMERS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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SOMERS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Tim Rogge
John Hollensteiner
Courtney Shaeffer
Sam Bagley
Meredith Coopman

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Paul Jenkins
Diane Fetterhoff
Marcia Sheffels
Ed Corrigan

District Superintendent
Business Manager
County Superintendent
County Attorney

Somers School District #29
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014

The Superintendent and the Clerk of the Somers School District have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for fiscal year ended June 30, 2014.

Using This Financial Report

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

Reporting the School District as a Whole

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

- A. The Statement of Net position shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year. For Somers School District, the General Fund is by far the most significant fund.

- B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district’s various functions. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories:

- 1. Governmental activities – The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

- 2. Proprietary (business-type) activities – The district does not have any proprietary funds at this time.

3. Trust & Fiduciary Responsibilities – The district is the trustee for the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used to their intended purposes. The district also uses an internal payroll and claims clearing fund.
4. Component Units – The district does not presently act as a fiscal host for any cooperative.

Reporting the District's Most Significant Funds

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

The fund statements report balances and activities of the most significant, or “major” funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, (which reflect most of the district's financial activity) such as the general fund, special revenue funds for transportation and school food service, and debt service and capital outlay funds.

These funds use the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of the school district's general governmental operations and the basic services it provides.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Budget –to-Actual Comparisons

The District's original and final budgets were identical for the year ended June 30, 2014.

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The following significant variances between the final expenditure budget and the actual expenditures exist:

- a. General Regular Instruction: A negative \$59,727 occurred overall which can be attributed to minor equipment purchases as well as encumbered amounts at the end of the year with leftover funds.
- b. General Administration: A positive \$6,317 occurred due to the fact that Administration did not attend several trainings that were originally budgeted for attendance.
- c. General Operation and Maintenance of Plant Services: A positive \$50,046 mostly due to the present custodian able to provide repair and maintenance duties as part of his day, instead of outsourcing the required repairs.

The District As A Whole

Net position may serve over time as a useful indicator of a government's financial position. In the Somers School District, assets exceeded liabilities by \$4,180,978 as of June 30, 2014. Most of the district's net position reflect its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment.)

Somers School District #29, Flathead County, Montana
Statement of Net position
June 30, 2014

Table 1 - Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 1,332,053	\$ 1,402,508	\$ (70,455)
Capital assets	3,859,546	3,835,916	23,630
Total assets	5,191,599	5,238,424	(46,825)
Long-term debt outstanding	\$ 983,050	\$ 755,186	\$ 227,864
Other liabilities	27,571	-	27,571
Total liabilities	1,010,621	755,186	255,435
Invested in capital assets, net of debt	3,859,546	3,835,916	23,630
Restricted	733,812	764,159	(30,347)
Unrestricted (deficit)	(412,380)	(116,837)	(295,543)
Total net position	\$ 4,180,978	\$ 4,483,238	\$ (302,260)

The district's total revenues for the fiscal year ended June 30, 2014 were \$4,956,101. The district's total revenues for the fiscal year ended June 30, 2013 were \$4,973,654. This is a 1% increase. The total expenditures for all programs and services for the fiscal year ended June 30, 2014 were \$5,265,166 which generated a decrease in net position of \$309,065. The total expenditures for all programs and services for the fiscal year ended June 30, 2013 were \$4,890,201 which generated a increase in net position of \$83,453. District taxpayers paid approximately \$1,654,470 or 33% of the total revenues for the fiscal year ending June 30, 2014. District taxpayers paid approximately \$1,541,457 or 31% of the total revenues for the fiscal year ending June 30, 2013. The remainder for fiscal years ending June 30, 2014 and June 30, 2013 were financed through charges for services, operating grants, other state revenues, and investment earnings.

Table 2 - Changes in Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 67,620	\$ 68,663	\$ (1,043)
Operating grants and contributions	799,842	1,051,145	(251,303)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,654,470	1,541,457	113,013
Grants and entitlements not restricted to specific programs	1,823,502	1,811,785	11,717
Investment earnings	6,448	5,321	1,127
Miscellaneous (other revenue)	39,575	46,775	(7,200)
Indirect costs	7,146	7,275	(129)
State entitlement (block grants)	117,038	127,109	(10,071)
State technology	7,255	3,672	3,583
County retirement	433,205	310,452	122,753
Total revenues	<u>\$ 4,956,101</u>	<u>\$ 4,973,654</u>	<u>\$ (17,553)</u>
Program expenses			
Instructional - regular	\$ 3,049,674	\$ 2,763,172	\$ 286,502
Instructional - special education	\$ 416,820	\$ 455,169	(38,349)
Supporting services - operations & maintenance	\$ 277,714	\$ 230,953	46,761
Supporting services - general	\$ 166,308	\$ 112,902	53,406
Supporting services - educational media services	\$ 161,763	\$ 128,282	33,481
Administration - general	\$ 149,591	\$ 150,280	(689)
Administration - school	\$ 178,128	\$ 162,456	15,672
Administration - business	\$ 139,905	\$ 152,947	(13,042)
Student transportation	\$ 357,142	\$ 348,150	8,992
Extracurricular	\$ 37,323	\$ 38,233	(910)
School food	\$ 254,437	\$ 278,669	(24,232)
Debt service expense - interest	\$ -	\$ 920	(920)
Unallocated depreciation*	\$ 76,361	\$ 68,068	8,293
Total expenses	<u>\$ 5,265,166</u>	<u>\$ 4,890,201</u>	<u>\$ 374,965</u>
Excess (deficiency) before special items and transfers	(309,065)	83,453	(392,518)
Increase (decrease) in net position	<u><u>\$ (309,065)</u></u>	<u><u>\$ 83,453</u></u>	<u><u>\$ (392,518)</u></u>

Capital Assets

As of June 30, 2014, The District has invested \$3,859,546 in capital assets including land, buildings, and machinery and equipment. Depreciation expense for FY 2014 year was \$89,434 with a total depreciation expense and deletions of \$1,317,680. The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014 as compared with June 30, 2013.

	FY 2014	FY 2013
Capital assets, buildings, improvements,...	\$ 3,777,046	\$ 3,753,416
Capital assets – Land	\$ 82,500	\$ 82,500
Construction in Progress	<u>00</u>	<u>00</u>
Total Capital Assets	\$ 3,859,546	\$ 3,835,916

Debt Administration

The district presently has debt obligations with a summary of those for the year ended June 30, 2014 summarized below

Current compensated absence	\$	44,320
Long-term compensated absences	\$	159,334
Noncurrent Long-Term Liabilities (OPEB)	\$	779,396
Total Liabilities	\$	983,050

The District's Future

The following will be major factors in the future of the District:

The district's student population has increased for the 2014-15 school year, although there is one negative at the Middle School with very small 5th grade & 7th grade classes which will impact numbers for the next few years. The district noted increases in class size at the elementary level especially in grades K and 3. The Board of Trustees will make a decision as to putting forth to the voters a general fund levy request so that class sizes will have relief with retaining present staff if the levy is approved. If not, state accreditation could be jeopardized.

The district's priority to the students has always been early intervention for the fulfillment of academic and social needs. Funding issues, both state and federal, are putting a strain on the fulfillment of this priority. The District does not have a practice of funding shortages within the Title I area with General Fund dollars but the District has set a priority for meeting student academic needs and if need be will continue to do so.

Unfortunately with the state of the economy in the Flathead Valley with unemployment high, Housing developments within the district boundaries have not been successful in sales. Remodels to the district facilities once being considered, are now on a maintenance schedule instead.

CONTACT FOR FURTHER INFORMATION

If you have questions about this report or need additional information, contact the Superintendent or District Clerk of Somers School District #29 at 315 School Addition Rd., Somers, MT 59932 (406) 857-3301

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
Somers Public School
Flathead County
Somers, 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 Somers 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 Somers 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 Somers 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 7, 33 through 36, and 37 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 29, 2015, on our consideration of the Somers 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 Somers Public School, Flathead County, Montana's internal control over financial reporting and compliance.

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

June 29, 2015

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

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,201,968
Taxes and assessments receivable, net	130,085
Total current assets	\$ 1,332,053
Noncurrent assets	
Capital assets - land	\$ 82,500
Capital assets - depreciable, net	3,777,046
Total noncurrent assets	\$ 3,859,546
Total assets	\$ 5,191,599
LIABILITIES	
Current liabilities	
Due to other governments	\$ 1,184
Current portion of compensated absences payable	44,320
Deferred inflows of resources	26,387
Total current liabilities	\$ 71,891
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	\$ 779,396
Noncurrent portion of compensated absences	159,334
Total noncurrent liabilities	\$ 938,730
Total liabilities	\$ 1,010,621
NET POSITION	
Net investment in capital assets	\$ 3,859,546
Restricted for capital projects	34,829
Restricted for debt service	45,832
Restricted for special projects	653,151
Unrestricted	(412,380)
Total net position	\$ 4,180,978

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
Primary government:				
Governmental activities:				
Instructional - regular	\$ 3,049,674	\$ -	\$ 262,840	\$ (2,786,834)
Instructional - special education	416,820	-	122,704	(294,116)
Supporting services - operations & maintenance	277,714	-	-	(277,714)
Supporting services - general	166,308	-	136,217	(30,091)
Supporting services - educational media services	161,763	-	12,689	(149,074)
Administration - general	149,591	-	-	(149,591)
Administration - school	178,128	-	1,174	(176,954)
Administration - business	139,905	-	-	(139,905)
Student transportation	357,142	-	109,911	(247,231)
Extracurricular	37,323	-	-	(37,323)
School food	254,437	67,620	154,307	(32,510)
Unallocated depreciation*	76,361	-	-	(76,361)
Total primary government	\$ 5,265,166	\$ 67,620	\$ 799,842	\$ (4,397,704)
General Revenues:				
Property taxes for general purposes			\$ 1,654,470	
Grants and entitlements not restricted to specific programs			1,823,502	
Investment earnings			6,448	
Miscellaneous (other revenue)			39,575	
Indirect costs			7,146	
State entitlement (block grants)			117,038	
State technology			7,255	
County retirement			433,205	
Total general revenues, special items and transfers			\$ 4,088,639	
Change in net position			\$ (309,065)	
Net position - beginning			\$ 4,483,238	
Restatements			6,805	
Net position - beginning - restated			\$ 4,490,043	
Net position - end			\$ 4,180,978	

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

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

	General	Transportation	Miscellaneous Programs	Technology	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 484,772	\$ 42,312	\$ 274,139	\$ 217,992	\$ 182,753	\$ 1,201,968
Taxes and assessments receivable, net	99,076	19,955	-	1,241	9,813	130,085
Total assets	\$ 583,848	\$ 62,267	\$ 274,139	\$ 219,233	\$ 192,566	\$ 1,332,053
Current liabilities:						
Due to other governments	\$ -	\$ -	\$ 1,184	\$ -	\$ -	\$ 1,184
Grant revenues received in advance	-	-	26,387	-	(26,387)	-
Total liabilities	\$ -	\$ -	\$ 27,571	\$ -	\$ (26,387)	\$ 1,184
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 99,076	\$ 19,955	\$ -	\$ 1,241	\$ 36,200	\$ 156,472
FUND BALANCES						
Restricted	\$ -	\$ 42,312	\$ 246,568	\$ 217,992	\$ 185,457	\$ 692,329
Assigned	138,202	-	-	-	-	138,202
Unassigned fund balance	346,570	-	-	-	(2,704)	343,866
Total fund balance	\$ 484,772	\$ 42,312	\$ 246,568	\$ 217,992	\$ 182,753	\$ 1,174,397

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	\$ 1,174,397
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,859,546
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.	130,085
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(983,050)
Total net position - governmental activities	\$ <u><u>4,180,978</u></u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Transportation</u>	<u>Miscellaneous Programs</u>	<u>Technology</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 1,306,717	\$ 208,265	\$ 40,326	\$ 11,164	\$ 205,621	\$ 1,772,093
County revenue	-	43,042	-	-	433,205	476,247
State revenue	2,043,224	79,052	145,793	7,255	1,612	2,276,936
Federal revenue	-	-	282,697	-	152,108	434,805
Total revenues	<u>\$ 3,349,941</u>	<u>\$ 330,359</u>	<u>\$ 468,816</u>	<u>\$ 18,419</u>	<u>\$ 792,546</u>	<u>\$ 4,960,081</u>
EXPENDITURES						
Instructional - regular	\$ 2,160,420	\$ -	\$ 271,897	\$ -	\$ 382,635	\$ 2,814,952
Instructional - special education	253,579	-	2,372	-	160,869	416,820
Supporting services - operations & maintenance	265,243	-	-	-	12,471	277,714
Supporting services - general	24,648	-	138,964	-	2,696	166,308
Supporting services - educational media services	138,193	-	12,393	-	11,177	161,763
Administration - general	104,324	33,016	-	-	12,251	149,591
Administration - school	159,810	-	1,200	-	17,118	178,128
Administration - business	122,765	6,325	-	-	10,815	139,905
Student transportation	19,160	325,684	7,663	-	-	352,507
Extracurricular	34,582	-	-	-	2,741	37,323
School food	-	-	2,500	-	250,357	252,857
Capital outlay	113,064	-	-	-	-	113,064
Total expenditures	<u>\$ 3,395,788</u>	<u>\$ 365,025</u>	<u>\$ 436,989</u>	<u>\$ -</u>	<u>\$ 863,130</u>	<u>\$ 5,060,932</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (45,847)</u>	<u>\$ (34,666)</u>	<u>\$ 31,827</u>	<u>\$ 18,419</u>	<u>\$ (70,584)</u>	<u>\$ (100,851)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 6,275	\$ 6,275
Transfers out	(6,275)	-	-	-	-	(6,275)
Total other financing sources (uses)	<u>\$ (6,275)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,275</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (52,122)</u>	<u>\$ (34,666)</u>	<u>\$ 31,827</u>	<u>\$ 18,419</u>	<u>\$ (64,309)</u>	<u>\$ (100,851)</u>
Fund balances - beginning	\$ 530,089	\$ 76,978	\$ 214,741	\$ 199,573	\$ 247,062	\$ 1,268,443
Restatements	6,805	-	-	-	-	6,805
Fund balances - beginning, restated	<u>\$ 536,894</u>	<u>\$ 76,978</u>	<u>\$ 214,741</u>	<u>\$ 199,573</u>	<u>\$ 247,062</u>	<u>\$ 1,275,248</u>
Fund balance - ending	<u>\$ 484,772</u>	<u>\$ 42,312</u>	<u>\$ 246,568</u>	<u>\$ 217,992</u>	<u>\$ 182,753</u>	<u>\$ 1,174,397</u>

See accompanying Notes to the Financial Statements

Somers Public School, Flathead County
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 \$ (100,851)

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	113,064
- Depreciation expense	(89,434)

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)	(3,980)
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The change in compensated absences is shown as an expense in the Statement of Activities

(14,221)

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	(213,643)
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Change in net position - Statement of Activities \$ (309,065)

See accompanying Notes to the Financial Statements

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

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS				
Cash and short-term investments	\$	<u>36,855</u>	\$	<u>299,438</u>
Total assets	\$	<u>36,855</u>	\$	<u>299,438</u>
LIABILITIES				
Warrants payable	\$	<u>-</u>	\$	<u>299,438</u>
Total liabilities	\$	<u>-</u>	\$	<u>299,438</u>
NET POSITION				
Assets held in trust	\$	<u>36,855</u>		

See accompanying Notes to the Financial Statements

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

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>74,357</u>
Total additions	\$	<u>74,357</u>
 DEDUCTIONS		
Student activities	\$	<u>64,127</u>
Change in net position	\$	<u>10,230</u>
 Net Position - Beginning of the year	 \$	 26,625
 Net Position - End of the year	 \$	 <u><u>36,855</u></u>

See accompanying Notes to the Financial Statements

SOMERS 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.

SOMERS 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 activities 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.

SOMERS 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.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to "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.

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

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.

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.

Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Technology Fund – Authorized by Section 20-9-533, MCA, to purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel. Funded by a state grant authorized by Section 20-9-534, MCA, and a voted levy.

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:

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

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

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, Federal home loans, Federal national mortgage, and U.S. Government securities.

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 South Main Street, Kalispell, MT 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.

Deposits

The District’s deposit balance at year end was \$36,855 and the bank balance was \$40,392. The District’s deposits were insured by FDIC.

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

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, 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 costs of inventories are recorded as 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 and Improvements	20 – 100 years
Improvements other than buildings	10 – 20 years
Equipment	10 – 40 years

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 included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

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

Governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 82,500	\$ -	\$ 82,500
Other capital assets:			
Buildings	\$ 4,652,941	\$ 57,324	\$ 4,710,265
Improvements other than buildings	223,506	34,422	257,928
Machinery and equipment	105,215	21,318	126,533
Total other capital assets at historical cost	\$ 4,981,662	\$ 113,064	\$ 5,094,726
Less: accumulated depreciation	\$ (1,228,246)	\$ (89,434)	\$ (1,317,680)
Total	<u>\$ 3,835,916</u>	<u>\$ 23,630</u>	<u>\$ 3,859,546</u>

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

Governmental Activities:	
Instructional – regular	\$ 6,858
Student transportation	4,635
School food	1,580
Unallocated	<u>76,361</u>
Total governmental activities depreciation expense	<u>\$ 89,434</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:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 189,443	\$ 14,221	\$ 203,664	\$ 44,320
Other post-employment benefits*	565,753	213,643	779,396	-
Total	<u>\$ 755,196</u>	<u>\$ 227,864</u>	<u>\$ 983,060</u>	<u>\$ 44,320</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.

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

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.

Teachers are granted 12 days of leave each year, cumulative to 125 days. When a teacher with seven or more consecutive years of service with the District terminates employment, the employee is entitled to cash compensation of \$55 for each unused accumulated day of leave up to 125 day maximum.

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

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, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,558,257
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,558,257</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,518,813
UAAL as a percentage of covered payroll	61.86%

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

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)	\$	215,643
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	215,643
Contributions made		-
Increase in net OPEB obligation	\$	215,643
Net OPEB obligation - beginning of year		565,753
Net OPEB obligation - end of year	\$	779,396

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

Actuarial cost method	Unit Credit 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>
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and thereafter	6.90%

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

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Funding for compensated absences liability	Compensated Absences – Nonmajor Governmental	General – Major Governmental	\$ <u>6,275</u>

NOTE 9. 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.

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:

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

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	\$ 18,359	\$ 158,724
2013	\$ 20,486	\$ 177,313
2014	\$ 22,905	\$ 209,489

NOTE 10. 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.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spend 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>
Transportation	\$ 42,312	Student transportation services
Miscellaneous Programs	246,568	Third party grantor requirements
Technology	217,992	Instructional – regular
All Other Aggregate:	390	School food services
	120,813	Employer cost of benefits
	29,425	Debt service
	<u>34,829</u>	Capital projects
Total	<u>\$ 692,329</u>	

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

Other Significant Commitments

<u>Major Fund</u>	<u>Amount</u>	
General	\$ <u>138,202</u>	Encumbrances

NOTE 12. 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>2,704</u>	Expenditures exceeded tax revenues	Tax revenues

NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ <u>6,805</u>	Prior period revenue adjustment

In the District's budget versus actual comparison in the required supplementary information (RSI), the General fund had the following adjustments to prior fund balance due to encumbrances.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ <u>(199,500)</u>	Prior period encumbrance adjustment to budgetary basis

NOTE 14. 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.

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's contribution to the Cooperative was \$9,975 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

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

The District entered into an Interlocal agreement with Evergreen School District to provide preschool schooling. For the fiscal year ended June 30, 2014, the District paid \$79,992 to the Interlocal for tuition.

The District, along with other school districts, entered into a Multi-District/Interlocal Cooperative Agreement to create a multi-district or interlocal cooperative to allow the participants to cooperate and jointly fund certain services, activities, and undertakings deemed beneficial by the participating Districts. The consortium has a steering committee consisting of up to 8 Superintendents or their designees.

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's contribution to the Cooperative was \$10,854 for fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

The District is a member of 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, which is the Flathead Special Education Cooperative, 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.

NOTE 15. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

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

NOTE 16. 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**

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

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 1,304,698	\$ 1,304,698	\$ 1,306,597	\$ 1,899
County revenue	-	-	-	-
State revenue	2,039,090	2,039,090	2,039,090	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 3,343,788</u>	<u>\$ 3,343,788</u>	<u>\$ 3,345,687</u>	<u>\$ 1,899</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 2,135,886	\$ 2,135,886	\$ 2,195,613	\$ (59,727)
Instructional - special education	258,219	258,219	256,299	1,920
Supporting services - operations & maintenance	301,273	301,273	251,227	50,046
Supporting services - general	21,500	21,500	24,648	(3,148)
Supporting services - educational media services	126,096	126,096	132,666	(6,570)
Administration - general	109,174	109,174	102,857	6,317
Administration - school	160,650	160,650	159,810	840
Administration - business	144,507	144,507	123,514	20,993
Student transportation	-	-	19,160	(19,160)
Extracurricular	63,000	63,000	35,032	27,968
School food	-	-	-	-
Capital outlay	-	-	33,661	(33,661)
Other current charges	23,482	23,482	-	23,482
Total charges to appropriations	<u>\$ 3,343,787</u>	<u>\$ 3,343,787</u>	<u>\$ 3,334,487</u>	<u>\$ 9,300</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (6,275)	\$ (6,275)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,275)</u>	<u>\$ (6,275)</u>
Net change in fund balance			<u>\$ 4,925</u>	
Fund balance - beginning of the year			\$ 506,885	
Restatements			<u>(192,695)</u>	
Fund balance - beginning of the year - restated			<u>\$ 314,190</u>	
Fund balance - end of the year			<u><u>\$ 319,115</u></u>	

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

	Transportation			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 212,612	\$ 212,612	\$ 208,265	\$ (4,347)
County revenue	73,820	73,820	43,042	(30,778)
State revenue	86,589	86,589	79,052	(7,537)
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 373,021	\$ 373,021	\$ 330,359	\$ (42,662)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	16,313	16,313	-	16,313
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	36,981	36,981	33,016	3,965
Administration - school	-	-	-	-
Administration - business	6,048	6,048	6,325	(277)
Student transportation	315,658	315,658	325,684	(10,026)
Extracurricular	-	-	-	-
School food	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	-	-	-	-
Total charges to appropriations	\$ 375,000	\$ 375,000	\$ 365,025	\$ 9,975
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ (34,666)	
Fund balance - beginning of the year			\$ 76,978	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 76,978	
Fund balance - end of the year			\$ 42,312	

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

	Technology			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 10,172	\$ 10,172	\$ 11,164	\$ 992
County revenue	-	-	-	-
State revenue	7,255	7,255	7,255	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 17,427</u>	<u>\$ 17,427</u>	<u>\$ 18,419</u>	<u>\$ 992</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 217,000	\$ 217,000	-	\$ 217,000
Instructional - special education	-	-	-	-
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>\$ 217,000</u>	<u>\$ 217,000</u>	<u>\$ -</u>	<u>\$ 217,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 18,419</u>	
Fund balance - beginning of the year			\$ 199,573	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 199,573</u>	
Fund balance - end of the year			<u><u>\$ 217,992</u></u>	

**Somers Public School, 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	Transportation	Technology
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,345,687	\$ 330,359	\$ 18,419
Combined funds (GASBS 54) revenues	4,254	-	-
	<u>\$ 3,349,941</u>	<u>\$ 330,359</u>	<u>\$ 18,419</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,334,487	\$ 365,025	-
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	199,500	-	-
- Encumbrances reported at the end of the year	(138,199)	-	-
	<u>\$ 3,395,788</u>	<u>\$ 365,025</u>	<u>\$ -</u>

Note B

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

Somers Public Schools, 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 Accrued 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	\$ -	\$ 947,010	\$ 947,010	0%	\$ 2,088,790	45.3%
July 1, 2012	\$ -	\$ 1,558,257	\$ 1,558,257	0%	\$ 2,518,813	61.9%

SUPPLEMENTAL INFORMATION

**Somer Public School
Flathead County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014**

Fall Enrollment - October, 2013

Elementary School District

	FALL		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten Full	69	69	0
Grades 1-6	370	370	0
Grades 7-8	128	128	0
Total Elementary	567	567	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Winter Enrollment - December, 2013

Elementary School District

	WINTER		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten Full	70	70	0
Grades 1-6	365	365	0
Grades 7-8	127	127	0
Total Elementary	562	562	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Spring Enrollment - February, 2014

Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten - Full	69	69	0
Grades 1-6	357	357	0
Grades 7-8	126	126	0
Total Elementary	552	552	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Somers 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
Book	\$ 1	\$ -	\$ -	\$ 1
SMS Student Recognition	89	1,354	584	859
Movie Night	350	-	116	234
Activities SMS	104	-	-	104
Library	794	505	582	717
Lakeside Greenhouse	58	-	-	58
Holidayfest baskets SMS	-	454	-	454
H2O	83	48	-	131
Davis 4th Grade	3,787	-	316	3,471
Athletic	799	323	455	667
Track	20	-	-	20
Pay to Play	45	-	-	45
Playground	56	-	-	56
Band	(129)	4,204	2,100	1,975
Art/Louden	800	526	612	714
Shop	174	590	461	303
Nutrition Break	4,797	2,589	4,213	3,173
Ravenwood	2,518	11,907	10,015	4,410
8th Grade	990	15,210	15,427	773
Yearbook	3,458	2,672	3,105	3,025
Discovery Days	-	-	-	-
Student Council	449	272	434	287
Juice and Pop	151	17	-	168
Field Trips	-	3,200	3,168	32
Exploratory	10	-	-	10
Lakeside Elementary	12	2,174	1,530	656
Lakeside T-Shirts	-	202	-	202
Lakeside Book Fund	535	4,204	4,033	706
Big Creek	3,156	15,865	13,617	5,404
Lakeside Rebate	1,361	2,343	1,983	1,721
Music	308	424	255	477
Holidayfest-LKSD	1,042	1,363	-	2,405
Project	686	-	117	569
Lakeside Bricks	-	1,850	-	1,850
Lakeside Art	-	2,060	1,003	1,057
Donations	2	-	-	2
Interest	119	1	-	120
Total	\$ 26,625	\$ 74,357	\$ 64,126	\$ 36,856

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
Somers Public School
Flathead County
Somers, 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 Somers 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 Somers Public School's basic financial statements and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somers 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 Somers Public School, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Somers Public School's 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 Student Activity Internal Control

Condition:

During testing of the student activity receipting, we noted that supporting documentation is not being maintained for all receipts. This is a repeat comment from the prior year.

Context:

The auditor performed internal testing over the Districts Extracurricular collections process by inquiry, observation, and documentation.

Criteria:

Supporting documentation should be maintained for all money collected.

Effect:

Without proper controls, there is the risk that student activity revenues could be materially misstated.

Cause:

Lacking controls related to supporting documentation and staff not following internal controls in place.

Recommendation:

The District should implement procedures to improve accountability for the student activity accounts.

Auditee Response:

The District has been actively making changes to the process and seen improvements in the supporting documents required when submitting student activity monies for deposit. We plan to continue in our efforts to improve the accountability for the student activity accounts, and require a more detailed cash collection reports outlining sales associated with the deposits.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Somers Public 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Somers Public School's Response to Findings

Somers Public School's response to the findings identified in our audit is described above. Somers 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 29, 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
Somers Public School
Flathead County
Somers, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Student Activity Internal Control	Repeated

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

June 29, 2015