

WHITEWATER PUBLIC SCHOOL

PHILLIPS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

WHITEWATER PUBLIC SCHOOL

PHILLIPS COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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WHITEWATER PUBLIC SCHOOL

PHILLIPS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Mike Hammond
Allie Olsen
Brent Anderson
Matt Simonson
Steve Young

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Darin Cummings
Lynn Hill
Vivian Taylor
Ed Amestoy

District Superintendent
Business Manager
County Superintendent
County Attorney

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

The Superintendent and Business Manager/Clerk of the Whitewater 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 the 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 a district-wide statement that focus on operations of the district as a whole. These statements measure inputs and outflows 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 page 9 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. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

B. The Statement of Activities page 10 shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities report the activities of the school district in one category:

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

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 activities of less significant funds under 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 fund, of which we have none, 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 such as the general fund, special revenue funds for transportation, school food services, and debt service and capital outlay funds. These funds use the modified accrual basis accounting and represent the majority of the district's activities and programs.

Fund Statements include reconciliation of the governmental fund statement to the district-wide statements. The district-wide statements are presented using the accrual basis 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.

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and 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 operation. The district is responsible for enduring these assets are used for their intended purpose.

Budgets -to- Actual Comparisons

The budgetary comparisons schedule show how actual expenditures compared to the original and final budgeted expenditures for the general fund. Revenue budgeted versus actual collection for property taxes, is due to delinquent taxes. Expenditures in the regular program exceeded the budgeted amount due to cash card amounts versus actual treasurer amounts.

THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$2,937,409 as of June 30, 2014. The District's net position reflect its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment). This is a 9% Decrease from 2013.

Whitewater School District

1. Changes in Net Position

	Governmental Activities		
	FY2014	FY2013	Change
Current and other assets	\$ 742,639	\$966,899	\$(224,260)
Capital assets	\$ 2,504,868	\$2,547,821	(\$42,953)
Total assets	\$ 3,247,507	\$3,514,720	(\$267,213)
Long-term debt outstanding	\$308,698	\$270,032	\$38,666
Other Liabilities	\$ 1,400	\$ 1,400	\$ ---
Total liabilities	\$ 310,098	\$271,432	\$38,666
Net position			
Net investment in capital assets	\$ 2,504,868	\$2,547,821	(\$42,953)
restricted	\$ 569,280	\$712,817	(\$143,537)
unrestricted	\$ (136,739)	\$ (17,350)	(\$119,389)
Total net position	\$ 2,937,409	\$3,243,288	(\$305,879)

Whitewater School District

2. Government and Program Revenues

	Governmental Activities FY2014	FY2013	%Change
Revenues			
Program Revenues:			
Charges for services	\$ 8,535	\$ 24,556	\$(16,021)
Operating Grants and Contributions	\$ 206,400	\$ 192,124	\$14,276
General Revenues:			
Property taxes	\$ 419,692	\$ 525,027	\$(105,335)
Grants and entitlements	\$ 369,879	\$ 341,629	\$28,250
Investment earnings	\$ 446	\$ 642	\$(196)
County Retirement	\$115,079	\$ 100,293	\$14,786
State entitlement (block grant)	\$ 71,591	\$ 72,311	\$(720)
State Technology	\$ 1,955	\$ ---	\$ 1,955
Montana Oil & Gas	\$ 203,284	\$ 203,732	\$(448)
Miscellaneous	\$ 12,221	\$ 5,997	\$6,224
 Total Revenues	 \$ 1,409,082	 \$1,466,311	 \$(57,229)

Program Expenses

Regular programs	\$ 583,983	\$ 526,539	\$ 57,444
Special Education	\$ 60,535	\$ 57,386	\$ 3,149
Vocational Education	\$ 83,311	\$ 113,770	\$(30,459)
Operation and Maintenance	\$ 226,084	\$ 202,196	\$23,888
Support Services – General	\$ 24,969	\$ 23,714	\$1,255
Educational Media Services	\$ 28,105	\$ 31,040	\$(2,935)
Admin – General	\$ 171,121	\$ 159,474	\$ 11,647
Admin – Business	\$ 48,116	\$ 45,739	\$ 2,377
Student Transportation	\$ 261,285	\$ 263,231	\$(1,946)
Extracurricular	\$ 62,366	\$ 54,334	\$8,032
Food services	\$ 90,729	\$ 72,638	\$ 18,091
Depreciation - Unallocated	\$ 74,357	\$ 67,377	\$6,980
Total Expenses	\$ 1,714,961	\$ 1,617,438	\$97,523
Excess before special			
Items and transfer	\$ (305,879)	\$ (151,127)	\$(154,752)
Gain (loss) on sale/trade in of CA	\$ ---	\$ (12,634)	\$ 12,634
Increase (decrease) in net position	\$ (305,879)	\$ (163,761)	\$(142,118)

3. Spending Levels Compared to Resource Levels

Expenditures supported with General Revenue (from taxes and other sources for general school use was 85% of total revenue, while expenditures supported with Program Revenues (grants, etc.) was 15%

	<u>FY2014</u>	<u>FY2013</u>	<u>Change</u>
Expenditures supported with General Revenues	\$ 1,202,682	\$ 1,249,631	\$(46,949)
Expenditures supported with Program Revenues	\$ 214,935	\$ 216,680	\$ (1,745)
Total Expenditures Related to Governmental Activities	\$ 1,409,082	\$ 1,466,311	\$(57,229)

Analysis of Financial Information

Whitewater School District revenues decreased by \$57,229 due to decreases in Montana Oil and Gas, Property taxes, and Grants and entitlements. The Program Expenses have increased by \$97,523 allowing the school to operate within the budget.

Capital Assets

As of June 30, 2014, the District had \$ 2,504,868 in capital assets including land, building and machinery and equipment. This represents a decrease of \$ 42,953 which includes depreciation. Total depreciation expense was charged to governmental functions or programs.

4. Changes in Finances Caused by Changes in Programs

The School District has seen increases in utilities due to an increased building size and increase in utility cost. This has affected our current budget and will affect our future budgets.

5. Identifying and Resolving Financial Difficulties

There were no budget problems of the district.

6. Significant Events and Trends:

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

1. Young adults are not returning to the family farms and ranches. Because of this, the district is beginning to see a decline in enrollment.
2. Taxable valuation has seen a significant decrease in previous years which will increase property taxes and may affect future voted mill levies.
3. There has been an increase anywhere from 15% to 25% in district-paid health insurance premiums.
4. The increase in natural gas, electricity, and food prices has affected our budget and will continue to affect our budget.
5. Continued protesting of tax by one of the largest tax paying Gas Companies.

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
Whitewater Public School
Phillips County
Whitewater, 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 Whitewater Public School, Phillips 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 Whitewater Public School, Phillips 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.

As described in Note 1 to the financial statements, in 2014, the Whitewater Public Schools, Phillips 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 5, 30 through 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Whitewater Public School, Phillips 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 Whitewater Public School, Phillips County, Montana's internal control over financial reporting and compliance.

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

June 15, 2015

Whitewater Public School, Phillips County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	650,681
Taxes and assessments receivable, net		81,472
Due from other governments		486
Total current assets	\$	732,639
Noncurrent assets		
Restricted cash and investments	\$	10,000
Capital assets - land		122,990
Capital assets - depreciable, net		2,381,878
Total noncurrent assets	\$	2,514,868
Total assets	\$	3,247,507
LIABILITIES		
Current liabilities		
Accounts payable	\$	1,400
Current portion of compensated absences payable		35,064
Total current liabilities	\$	36,464
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	169,460
Noncurrent portion of compensated absences		104,174
Total noncurrent liabilities	\$	273,634
Total liabilities	\$	310,098
NET POSITION		
Net investment in capital assets	\$	2,504,868
Restricted for capital projects		280,622
Restricted for special projects		278,658
Restricted for other purposes		10,000
Unrestricted		(136,739)
Total net position	\$	2,937,409

See accompanying Notes to the Financial Statements

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
Primary government:		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:				<u>Governmental Activities</u>
Instructional - regular	\$ 583,983	\$ -	\$ 53,117	\$ (530,866)
Instructional - special education	60,535	-	19,913	(40,622)
Instructional - vocational education	83,311	-	-	(83,311)
Supporting services - operations & maintenance	226,084	-	13,691	(212,393)
Supporting services - general	24,969	-	-	(24,969)
Supporting services - educational media services	28,105	-	-	(28,105)
Administration - general	171,121	-	-	(171,121)
Administration - business	48,116	-	-	(48,116)
Student transportation	261,285	-	96,944	(164,341)
Extracurricular	62,366	-	-	(62,366)
School food	90,729	8,535	22,735	(59,459)
Unallocated depreciation*	74,357	-	-	(74,357)
Total primary government	\$ 1,714,961	\$ 8,535	\$ 206,400	\$ (1,500,026)
General Revenues:				
			\$	419,692
				369,879
				446
				12,221
				71,591
				1,955
				115,079
				203,284
			\$	1,194,147
			\$	(305,879)
			\$	3,243,288
			\$	2,937,409

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

Whitewater Public School, Phillips County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 136,736	\$ 46,202	\$ 259,226	\$ 138,770	\$ 69,747	\$ 650,681
Taxes and assessments receivable, net	57,590	15,120	7,204	-	1,558	81,472
Due from other governments	-	-	-	-	486	486
Total current assets	<u>\$ 194,326</u>	<u>\$ 61,322</u>	<u>\$ 266,430</u>	<u>\$ 138,770</u>	<u>\$ 71,791</u>	<u>\$ 732,639</u>
Noncurrent assets:						
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total assets	<u>\$ 194,326</u>	<u>\$ 61,322</u>	<u>\$ 266,430</u>	<u>\$ 138,770</u>	<u>\$ 81,791</u>	<u>\$ 742,639</u>
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,400	\$ 1,400
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 1,400</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 57,590	\$ 15,120	\$ 7,204	\$ -	\$ 1,558	\$ 81,472
Total deferred inflows of resources	<u>\$ 57,590</u>	<u>\$ 15,120</u>	<u>\$ 7,204</u>	<u>\$ -</u>	<u>\$ 1,558</u>	<u>\$ 81,472</u>
FUND BALANCES						
Restricted	\$ -	\$ 46,202	\$ 259,226	\$ 138,770	\$ 78,833	\$ 523,031
Unassigned fund balance	136,736	-	-	-	-	136,736
Total fund balance	<u>\$ 136,736</u>	<u>\$ 46,202</u>	<u>\$ 259,226</u>	<u>\$ 138,770</u>	<u>\$ 78,833</u>	<u>\$ 659,767</u>

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	\$ 659,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,504,868
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.	81,472
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(308,698)
Total net position - governmental activities	\$ <u>2,937,409</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 303,921	\$ 113,512	\$ 34,212	\$ 116	\$ 37,627	\$ 489,388
County revenue	-	48,472	-	-	115,078	163,550
State revenue	662,611	51,341	-	616	6,257	720,825
Federal revenue	-	-	-	47,544	22,576	70,120
Total revenues	<u>\$ 966,532</u>	<u>\$ 213,325</u>	<u>\$ 34,212</u>	<u>\$ 48,276</u>	<u>\$ 181,538</u>	<u>\$ 1,443,883</u>
EXPENDITURES						
Instructional - regular	\$ 412,956	\$ -	\$ -	\$ 51,339	\$ 81,022	\$ 545,317
Instructional - special education	54,140	-	-	-	6,395	60,535
Instructional - vocational education	71,271	-	-	-	12,040	83,311
Supporting services - operations & maintenance	164,694	-	-	5,942	20,947	191,583
Supporting services - general	21,448	-	-	-	3,521	24,969
Supporting services - educational media services	24,584	-	-	-	3,521	28,105
Administration - general	120,293	42,379	-	-	8,449	171,121
Administration - business	24,581	20,906	-	-	2,629	48,116
Student transportation	-	171,299	4,449	-	15,169	190,917
Extracurricular	57,761	-	-	-	4,605	62,366
School food	45,081	-	-	-	42,807	87,888
Capital outlay	5,000	-	61,083	45,418	27,613	139,114
Total expenditures	<u>\$ 1,001,809</u>	<u>\$ 234,584</u>	<u>\$ 65,532</u>	<u>\$ 102,699</u>	<u>\$ 228,718</u>	<u>\$ 1,633,342</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (35,277)</u>	<u>\$ (21,259)</u>	<u>\$ (31,320)</u>	<u>\$ (54,423)</u>	<u>\$ (47,180)</u>	<u>\$ (189,459)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of general capital asset disposition	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Net Change in Fund Balance	<u>\$ (30,277)</u>	<u>\$ (21,259)</u>	<u>\$ (31,320)</u>	<u>\$ (54,423)</u>	<u>\$ (47,180)</u>	<u>\$ (184,459)</u>
Fund balances - beginning	\$ 167,013	\$ 67,461	\$ 290,546	\$ 193,193	\$ 126,013	\$ 844,226
Fund balance - ending	<u>\$ 136,736</u>	<u>\$ 46,202</u>	<u>\$ 259,226</u>	<u>\$ 138,770</u>	<u>\$ 78,833</u>	<u>\$ 659,767</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds \$ (184,459)

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 139,114
- Depreciation expense (182,067)

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) (39,801)

The change in compensated absences is shown as an expense in the Statement of Activities (5,226)

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 (33,440)

Change in net position - Statement of Activities \$ (305,879)

See accompanying Notes to the Financial Statements

Whitewater Public School, Phillips County, Montana
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	\$ 53,882	\$	40,863
Total assets	<u>\$ 53,882</u>	\$	<u>40,863</u>
LIABILITIES			
Warrants payable	\$ -	\$	40,863
Total liabilities	<u>\$ -</u>	\$	<u>40,863</u>
NET POSITION			
Assets held in trust	<u>\$ 53,882</u>		

See accompanying Notes to the Financial Statements

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

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Student activities	\$ 31,742
Total additions	\$ 31,742
 DEDUCTIONS	
Student activities	\$ 25,743
Total deductions	\$ 25,743
Change in net position	\$ 5,999
 Net Position - Beginning of the year	 \$ 47,883
Net Position - End of the year	\$ 53,882

See accompanying Notes to the Financial Statements

WHITEWATER PUBLIC SCHOOL
PHILLIPS 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 and secondary educational services to residents of the District. The District provides education from kindergarten through the twelfth 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.

WHITEWATER PUBLIC SCHOOL
PHILLIPS 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. 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.

WHITEWATER PUBLIC SCHOOL
PHILLIPS 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.

WHITEWATER PUBLIC SCHOOL
PHILLIPS COUNTY, MONTANA
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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.

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.

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.

Bus Depreciation Fund – Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. The fund may be used to replace route buses or athletic/activities buses and to purchase additional yellow buses for routes.

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

WHITEWATER PUBLIC SCHOOL
PHILLIPS 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 (expendable trust) and the Endowment Fund (permanent fund) is held by the County Treasurer. School district cash which is not necessary for short-term obligations is invested by the County Treasurer, pursuant to the direction of the District. No cash was invested at the County directed by the District 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 balances at year end was \$65,510 and the bank balances was \$65,510. The District’s deposits at year-end were insured by FDIC.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The District maintained a \$10,000 certificate of deposit restricted for scholarships as of June 30, 2014.

NOTE 4. 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.

WHITEWATER PUBLIC SCHOOL
PHILLIPS COUNTY, MONTANA
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June 30, 2014

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.

Protested Taxes/Allowance for Uncollectible Taxes

The District has had significant amounts of property taxes levied be paid under protest in accordance with MCA 15-1-402. In 2010 the resolution of the protests has resulted in the District collecting approximately 50% of the taxes paid under protest; consequently, based on the history of the collections of the protested taxes, the District has estimated an allowance for uncollectible taxes of 50% of the protested taxes receivable.

NOTE 5. INVENTORIES

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

NOTE 6. 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	5 – 50 years
Vehicles	4 – 8 years
Machinery and Equipment	5 – 10 years

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

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ <u>122,990</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>122,990</u>
Other capital assets:				
Buildings	\$ 3,124,775	\$ 78,031	\$ -	\$ 3,202,806
Machinery and equipment	<u>1,063,927</u>	<u>61,083</u>	<u>(61,250)</u>	<u>1,063,760</u>
Total other capital assets at historical cost	\$ 4,188,702	\$ 139,114	\$ (61,250)	\$ 4,266,566
Less: accumulated depreciation	<u>(1,763,871)</u>	<u>(182,067)</u>	<u>61,250</u>	<u>(1,884,688)</u>
Total	<u>\$ 2,547,821</u>	<u>\$ (42,953)</u>	<u>\$ -</u>	<u>\$ 2,504,868</u>

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

Governmental Activities:	
Supporting services – operations and maintenance	\$ 34,501
Student transportation	70,368
School food	2,841
Unallocated	<u>74,357</u>
Total governmental activities depreciation expense	<u>\$ 182,067</u>

NOTE 7. 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:

WHITEWATER PUBLIC SCHOOL
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Governmental Activities:

	Balance	Additions	Balance	Due Within
	July 1, 2013	June 30, 2014	June 30, 2014	One Year
Compensated absences	\$ 134,012	\$ 5,226	\$ 139,238	\$ 35,064
Other post-employment benefits*	136,020	33,440	169,460	-
Total	\$ 270,032	\$ 38,666	\$ 308,698	\$ 35,064

*See Note 8

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

Compensated Absences

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

Certified employees will be paid for three (3) days leave per year. A maximum of three (3) days may be carried over to the next school year. A maximum of six (6) days may be accrued overall.

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

NOTE 8. 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.

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 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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

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

Actuarial Accrued Liability (AAL)	\$	305,448
Actuarial value of plan assets		
Unfunded Actuarial Accrued Liability (UAAL)	\$	305,448
Funded ratio (actuarial value of plan assets/AAL)		0%

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)	\$	33,440
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	33,440
Contributions made		-
Increase in net OPEB obligation	\$	33,440
Net OPEB obligation - beginning of year		136,020
Net OPEB obligation - end of year	\$	169,460

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

		Unit Credit Cost Method
Actuarial cost method		
Average age of retirement (based on historical data)		49
Discount rate (average anticipated rate)		4.25%
Average salary increase (Consumer Price Index)		2.50%

WHITEWATER PUBLIC SCHOOL
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2014	9.50%
2015	9.00%
2016	8.50%
2017	8.00%
2018	7.50%
2019	7.00%
2020	6.50%
2021	6.00%
2022	5.50%
2023 and after	5.00%

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

WHITEWATER PUBLIC SCHOOL
 PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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

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

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

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

	<u>PERS</u>	<u>TRS</u>
2012	\$ 10,548	\$ 36,058
2013	\$ 10,709	\$ 37,527
2014	\$ 12,546	\$ 45,531

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 46,202	Student transportation services
Bus Depreciation	259,226	Bus replacement
Miscellaneous Programs	138,770	Third party grantor restrictions
All other aggregate:		
	3,670	School food services
	28,905	Employer portion of retirement benefits
	2,177	Instructional services – regular
	8,321	Future technology upgrades
	25,760	Operations and maintenance
	<u>10,000</u>	Student scholarships
	<u>\$ 523,031</u>	

WHITEWATER PUBLIC SCHOOL
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. 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 Bear Paw Cooperative in which Bear Paw Cooperative provides special education services to member Districts. The governing board consists of five representatives, one each, to be freely chosen, from each of the following geographical areas and one chosen by the county superintendent of schools to represent the final geographical area Districts. Chinook Public Schools is a designated Prime Agency for the district and accounts for the District in an Interlocal District Fund. Each District is responsible to provide, at minimum, the matching dollars that are necessary for the related services block grant. For the fiscal year ended June 30, 2014, the District paid \$1,418 to the Interlocal.

The District is also a member of the Golden Triangle Cooperative. The purpose of the Cooperative 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. There are 20 Member Districts; each contributes to the operating costs of the District based on an annual fiscal budget adopted by the District and the benefits derived from the District's services with an annual dues portion and an additional fee per student based on enrollment for February of the prior fiscal year. For the fiscal year ended June 30, 2014, the annual membership dues were \$2,750 plus \$10.00 per student. Every year, each member District appoints a member to the Joint Advisory Board. The Superintendent and the Director of Curriculum of Shelby Public Schools are the designated administrators. The Shelby Public Schools' District Clerk is the prime fiscal agent. Separate financial statements are available from the Golden Triangle Cooperative.

NOTE 12. 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.

WHITEWATER PUBLIC SCHOOL
PHILLIPS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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**

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

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 327,999	\$ 327,999	\$ 302,780	\$ (25,219)
County revenue	-	-	-	-
State revenue	559,327	559,327	559,327	-
Amounts available for appropriation	<u>\$ 887,326</u>	<u>\$ 887,326</u>	<u>\$ 862,107</u>	<u>\$ (25,219)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 382,290	\$ 382,290	\$ 391,113	\$ (8,823)
Instructional - special education	52,071	52,071	52,631	(560)
Instructional - vocational education	53,169	53,169	52,538	631
Supporting services - operations & maintenance	106,186	106,186	114,185	(7,999)
Supporting services - general	21,950	21,950	21,448	502
Supporting services - educational media services	26,800	26,800	23,866	2,934
Administration - general	112,419	112,419	88,800	23,619
Administration - business	24,243	24,243	23,056	1,187
Student transportation	-	-	-	-
Extracurricular	49,480	49,480	50,089	(609)
School food	57,289	57,289	45,081	12,208
Community services	1,429	1,429	-	1,429
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 887,326</u>	<u>\$ 887,326</u>	<u>\$ 862,807</u>	<u>\$ 24,519</u>
Net change in fund balance			<u>\$ (700)</u>	
Fund balance - beginning of the year			<u>\$ 3,620</u>	
Fund balance - end of the year			<u><u>\$ 2,920</u></u>	

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

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 123,032	\$ 123,032	\$ 113,512	\$ (9,520)
County revenue	53,319	53,319	48,472	(4,847)
State revenue	56,188	56,188	51,341	(4,847)
Amounts available for appropriation	\$ 232,539	\$ 232,539	\$ 213,325	\$ (19,214)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	36,300	36,300	42,379	(6,079)
Administration - business	19,500	19,500	20,906	(1,406)
Student transportation	194,200	194,200	171,299	22,901
Extracurricular	-	-	-	-
School food	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 250,000	\$ 250,000	\$ 234,584	\$ 15,416
Net change in fund balance			\$ (21,259)	
Fund balance - beginning of the year			\$ 67,461	
Fund balance - end of the year			\$ 46,202	

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

	Bus Depreciation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 36,780	\$ 36,780	\$ 34,212	\$ (2,568)
County revenue	-	-	-	-
State revenue	-	-	-	-
Amounts available for appropriation	\$ 36,780	\$ 36,780	\$ 34,212	\$ (2,568)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - business	-	-	-	-
Student transportation	327,326	327,326	4,449	322,877
Extracurricular	-	-	-	-
School food	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	61,083	(61,083)
Total charges to appropriations	\$ 327,326	\$ 327,326	\$ 65,532	\$ 261,794
Net change in fund balance			\$ (31,320)	
Fund balance - beginning of the year			\$ 290,546	
Fund balance - end of the year			\$ 259,226	

Whitewater Public School, Phillips County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 862,107	\$ 213,325	\$ 34,212
Combined funds (GASBS 54) revenues	104,425	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 966,532</u>	<u>\$ 213,325</u>	<u>\$ 34,212</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 862,807	\$ 234,584	\$ 65,532
Combined funds (GASBS 54) expenditures	139,002	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,001,809</u>	<u>\$ 234,584</u>	<u>\$ 65,532</u>

Note B

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 223,064	\$ 223,064	0%	\$ 607,644	36.7%
July 1, 2012	\$ -	\$ 305,448	\$ 305,448	0%	\$ 737,120	41.4%

Changes in plan provisions

Revised mortality rates per the Public Employees' Retirement System and Teachers Retirement System pension valuations as of July 1, 2012.

Applied revised retirement eligibility requirements for memberships hired on or after July 1, 2011, per MCA 19-3-901 and 19-3-902.

Comprehensive Lifetime Maximum has been removed.

Preexisting Condition Waiting period has been waived.

The definition of eligible dependent has changed.

Fully-covered In-Network Preventive Benefits have been implemented.

SUPPLEMENTAL INFORMATION

Whitewater Public School
Phillips County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014

Fall Enrollment - October, 2013

Elementary School District

	FALL Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten Full	5	5	0
Grades 1-6	19	19	0
Grades 7-8	5	5	0
Total Elementary	<u>29</u>	<u>29</u>	<u>0</u>

High School District

	FALL Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	23	23	0
19 year-olds	0	0	0
Job Corps students	0	0	0

Whitewater Public School
Phillips County, Montana
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014

Winter Enrollment - December, 2013

Elementary School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten Full	5	5	0
Grades 1-6	19	19	0
Grades 7-8	5	5	0
Total Elementary	29	29	0

High School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	23	23	0
19 year-olds	0	0	0
Job Corps students	0	0	0

Whitewater Public School
Phillips County, Montana
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014

Spring Enrollment - February, 2014

Elementary School District

	SPRING	Audit Per	
	Per Enrollment	District Records	Difference
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten - Full	5	5	0
Grades 1-6	18	18	0
Grades 7-8	4	4	0
Total Elementary	27	27	0

High School District

	SPRING	Audit Per	
	Per Enrollment	District Records	Difference
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	23	23	0
19 year-olds	0	0	0
Early Graduates	0	0	0
Job Corps students	0	0	0

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

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Transfers <u>In(Out)</u>	Ending <u>Balance</u>
12th Grade	3,905	3,365	7,169	(101)	-
11th Grade	7,321	4,142	2,031	137	9,569
10th Grade	5,204	3,855	732	315	8,642
9th Grade	2,121	2,009	1,000	48	3,178
8th Grade	704	1,276	110	164	2,034
7th Grade	-	2,632	1,661	164	1,135
Drama	444	-	-	-	444
Music	231	736	696	-	271
Scholarship	3,756	221	600	1	3,378
Scholar/Salt/Mayer	6,949	750	1,000	-	6,699
Pep Club	4,513	2,464	2,208	(43)	4,726
Athletics	1,257	5,953	4,258	(115)	2,837
Annual	5,594	250	1,131	-	4,713
S Council	1,634	1,283	666	(613)	1,638
NHS	1	-	-	-	1
Shop	763	92	-	-	855
W Club	1,896	223	314	-	1,805
French Club	20	-	-	-	20
Family & Consum/Sci	41	115	124	-	32
Library	111	54	39	-	126
Elementary Activity	728	285	421	-	592
Technology	645	2,037	1,583	43	1,142
Math Fund	45	-	-	-	45
Total	\$ <u>47,883</u>	\$ <u>31,742</u>	\$ <u>25,743</u>	\$ <u>-</u>	\$ <u>53,882</u>

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

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

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

Board of Trustees
Whitewater Public School
Phillips County
Whitewater, 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 Whitewater Public School, Phillips County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Whitewater Public Schools' basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency listed as item 2014-001.

2014-001 Segregation of Duties

Condition:

As noted in the prior year, the District Clerk is responsible for receipting, depositing, reconciling, making adjustments, and posting all transactions to the accounting system.

Context:

Per inquiry and observation, it was noted that the prior year finding had not been addressed and there is still lack of segregation of duties within the accounting and receipting functions at the District.

Criteria:

Internal control procedures should be in place to ensure the adequate segregation of duties within the cash receipting function.

Effect:

Controls were not adequate over cash receipting.

Cause:

The small size of the District limits the available staff to segregate the duties.

Recommendation:

We recommend that the District continue to monitor the internal controls over cash receipting and segregate duties to the extent possible. We also recommend that the District continue to examine the need for signature stamps and remove stamps which are not needed.

Auditee Response:

We will segregate the duties and oversight controls to the extent possible. The Whitewater school Board has passed a motion saying they are aware of the segregation of duties and they are fine with the process that is in place now. They understand that without hiring more positions, this is the way it is. In conclusion of these findings, the school will make sure that we will do the best job possible when dealing with these problems and make sure that we are keeping a watchful eye in the areas of concern.

Compliance and Other Matters

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

Whitewater Public School's Response to Findings

Whitewater Public School's response to the findings identified in our audit is described above. Whitewater 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 15, 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
Whitewater Public School
Phillips County
Whitewater, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Segregation of Duties	Repeated

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

June 15, 2015