

**WINIFRED SCHOOL DISTRICT NO. 115**

**FERGUS COUNTY  
WINIFRED, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**  
PO BOX 1980  
Billings, Montana 59103

Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

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Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

ORGANIZATION

BOARD OF TRUSTEES

Gordon Wichman	Chair
Lance Heggem	Vice Chair
Matt Wickens	Trustee
Erin Slivka	Trustee
Kristin Carlstrom	Trustee

OFFICIALS

Rhonda Long	Superintendent
Ann Econom	District Clerk
Rhonda Long	County Superintendent
Thomas Meissner	County Attorney

**WINIFRED PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 115, FERGUS COUNTY  
WINIFRED, MT**

**Management Discussion and Analysis (MD&A)**

**April 13, 2015**

The Superintendent and Business Manager of Winifred School District have provided this management's discussion and analysis to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

**FINANCIAL HIGHLIGHTS**

The District's financial position was very stable in 2014.

**USING THIS FINANCIAL REPORT**

Statement No. 34 of the Governmental Accounting Standards Board (GASB) requires the general format of this report. 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.

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.

The Statement of Net Position and the Statement of Activities show the activities of the school district all 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 of the district.

### **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, 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 and represent the majority of the district's activities and programs.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are shown for proprietary (business-type) funds, covering district activities that generally provide services on a cost-recovery basis between various funds of the district, such as printing services provided by the district's Copy Center. Proprietary funds use the accrual basis of accounting.

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.

### **Reporting the District's Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, 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 for their intended purpose.

### **Budget –to- Actual Comparisons**

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund. The district did not experience any significant variances between the original and final expenditure budget and the final budget and actual expenditures.

### **THE DISTRICT AS A WHOLE**

#### **1.Changes in Net Position**

The listing of capital assets was thoroughly reviewed and assets that were no longer in use were removed. That process was completed with the assistance of the secretary that is the custodian of the fixed asset records. She keeps an accurate inventory of not only fixed assets, but other major items that come into the district. Items are recorded as soon as they are received and all items leaving the building for disposal are also recorded.

The district has an ongoing program for asset improvement. Carpets are replaced, roofs fixed and equipment replaced as necessary to keep the facility in top notch shape.

	Governmental Activities	Business- Type Activi- ties	Total School District
	FY14	FY14	FY14
Current & Other Assets	1,492,410	0	1,492,410
Capital Assets	1,510,166	0	1,510,166
<b>Total Assets</b>	<b>3,002,576</b>	<b>0</b>	<b>3,002,576</b>
Current Liab	0	4,720	4,720
Non-Current	0	28,010	28,010
<b>Total Liabilities</b>	<b>0</b>	<b>32,730</b>	<b>32,730</b>
Invested in capital assets, net of related debt	1,510,166	0	1,510,166
Restricted	1,316,180		1,316,180
Unrestricted	143,500	0	143,500
<b>Total net position</b>	<b>2,969,846</b>	<b>0</b>	<b>2,969,846</b>
<b>Total net position and liabilities</b>	<b>6,005,152</b>	<b>0</b>	<b>6,005,152</b>

## 2. General and Program Revenues

This schedule of changes in net position contains some very interesting information about Winifred Public Schools.

### Changes in Net Position

	Governmental Activities	Business- Type Activi- ties	Total School District
	FY14	FY14	FY14
<b>Revenues</b>			
Program revenues:			
Charges for services	32,054	0	32,054
Operating grants and contributions	184,848	0	184,848
General Revenues:			
Property Taxes	300,274	0	300,274
State equalization	433,247		433,247
Other State & County Revenues	497,293		497,293
Other general reve- nues	586,467	0	586,467
Total revenues	2,034,184	0	2,034,184
<b>Program expenses:</b>			
Instructional	826,007	0	826,007
Special programs	77,678		77,678
Operations & maintenance	135,314		135,314
School food	70,018		70,018
Extracurricular	37,008		37,008
Student Transporta- tion	184,763		184,763
Administration	203,627		203,627
Unallocated Depre- ciation	42,427	0	42,427
Other Current Changes	0		0
Total expenses	1,576,841	0	1,576,841
Increase (de- crease) in net posi- tion	457,343	0	457,343

## 3. Changes in Finances Caused by Changes in Programs

Budgets are getting tighter and tighter in Winifred. Our federal program awards remain about the same. More of the General fund budget each year goes to salary and benefits. 80% of Winifred's general fund is committed to salaries.

#### 4. Identifying and Resolving Financial Difficulties

The district did not have any budget problems or errors that significantly impacted any fund.

#### 5. Significant Events and Trends

Dramatic increases in our health insurance costs over the past years significantly impacted Winifred Public Schools. Some of those costs have been offset by having employees contribute to the health insurance premiums and purchase dental insurance out of their pocket. The teachers in Winifred have taken small wage increases in order to have health insurance paid at a higher rate.

The biggest problem for Winifred Schools is the declining enrollment that is taking place in rural America. Winifred's enrollment continues to decline.

### ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the school district, where the resources come from, what the resources are used for, and trends, decisions and events that that are expected to affect the district's financial situation in the future.

#### 1. What Does the School Do?

Winifred's Public Schools' main purpose is to educate children, therefore their costs revolve around instruction and supporting the instruction of students, transporting children to and from school, providing breakfast and lunch to these students along with some extracurricular activities.

#### 2. Where Do the Resources Come From?

The majority of Winifred Public Schools' revenues come from property taxes and state aid. Winifred Public Schools participates in many federal programs including all of the Elementary and Secondary Education Act programs which are funded based upon free and reduced lunch applications, Winifred High School also receives funding through Carl Perkins and the State Vocational Education Grants.

#### 3. What Does It Cost?

**Winifred Public Schools spent \$1,576,841 to educate 98 students in FY 2014.** 57 percent of that was spent on regular education instructional services to students. Administration costs accounted for 13 percent of the total expenditures, operation and maintenance costs accounted for 9 percent, school foods costs accounted for 4 percent, transportation costs accounted for 12 percent, and extracurricular costs accounted for 2 percent of the total budget. The remaining 3 percent of the expenditure were in the support, media, depreciation, and business activities.

#### 4. What are the Capital Assets and Debt of the District?

The capital assets Winifred Public Schools are valued at \$ 2,969,846. The district has no debt.

5. Fund Deficits

Winifred Public Schools has no fund deficits at year end.

6. What Changes and Trends Affect the District's Future?

The declining enrollment in Winifred will have the biggest effect on the district's future. Consolidation would help keep the school running at the current level.

The way that the state funds districts at this time will only lead to a downward spiral in Winifred Schools. Funding based on a per student basis will lead to smaller and smaller budgets which will force the district to cut programs and staff.

**CONTACT FOR FURTHER INFORMATION**

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

**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 Winifred School District No. 115 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 Winifred School District No. 115 as of 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.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 8) and budgetary comparison information (pages 29 - 32) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winifred School District No. 115's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 33) and schedule of reported enrollment (page 34) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015 on our consideration of Winifred School District No. 115 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 Winifred School District No. 115 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
June 11, 2015

Winifred School District No. 115  
 Fergus County  
 Winifred, Montana 59489

STATEMENT OF NET POSITION  
 June 30, 2014

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,450,577
Taxes Receivable	26,187
Due From Other Governments	<u>15,649</u>
Total Current Assets	<u>1,492,413</u>
Noncurrent Assets:	
Capital Assets:	
Land	34,351
Construction in Progress	1,000
Net Depreciable Assets	<u>1,474,815</u>
Total Noncurrent Assets	<u>1,510,166</u>
Total Assets	<u>\$ 3,002,579</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Current Portions Compensated Absences	\$ <u>4,720</u>
Total Current Liabilities	<u>4,720</u>
Noncurrent Liabilities:	
Compensated Absences	<u>28,010</u>
Total Noncurrent Liabilities	<u>28,010</u>
Total Liabilities	<u>32,730</u>
<b>NET POSITION:</b>	
Net investment in capital assets	1,510,166
Restricted	1,316,182
Unrestricted (Deficit)	<u>143,501</u>
Total Net Position	<u>2,969,849</u>
Total Liabilities and Net Position	<u>\$ 3,002,579</u>

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

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
					Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENT OPERATIONS</b>					
Instructional Services	\$ 826,008	\$ 840	\$ 83,600	\$ -	\$ (741,568)
Support Services	9,111	-	-	-	(9,111)
Educational Media Services	68,568	-	-	-	(68,568)
General Administrative Services	203,625	-	-	-	(203,625)
Operation & Maintenance Services	135,315	14,476	-	-	(120,839)
Transportation Services	184,763	-	77,087	-	(107,676)
School Food Services	70,018	16,738	24,161	-	(29,119)
Extracurricular	37,008	-	-	-	(37,008)
Unallocated Depreciation Expense *	42,427	-	-	-	(42,427)
Total Governmental Activities	<u>1,576,843</u>	<u>32,054</u>	<u>184,848</u>	<u>-</u>	<u>(1,359,941)</u>
<b>GENERAL REVENUES</b>					
District Levies					300,277
State Equalization					433,247
Other State Revenues					314,506
County					182,789
Federal					389
Interest					(1,177)
Other					587,256
Total General Revenues					<u>1,817,287</u>
Change in Net Position					457,346
<b>Net Position</b>					
Beginning of the Year					<u>2,512,503</u>
End of the Year					<u>\$ 2,969,849</u>

\* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2014

	MAJOR					Total Governmental Funds
	General	Bus Depreciation	Miscellaneous Programs	Building Reserve	Other Governmental Funds	
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 147,795	\$ 330,574	\$ 355,042	\$ 317,372	\$ 292,391	\$ 1,443,174
Taxes Receivable	21,033	771	-	1,630	2,753	26,187
Due From Other Governments	-	-	14,288	-	1,361	15,649
<b>Total Assets</b>	<b>\$ 168,828</b>	<b>\$ 331,345</b>	<b>\$ 369,330</b>	<b>\$ 319,002</b>	<b>\$ 296,505</b>	<b>\$ 1,485,010</b>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	21,033	771	-	1,630	2,753	26,187
<b>Total Deferred Inflows of resources</b>	<b>21,033</b>	<b>771</b>	<b>-</b>	<b>1,630</b>	<b>2,753</b>	<b>26,187</b>
FUND BALANCE:						
Fund Balances:						
Restricted	-	330,574	369,330	317,372	293,752	1,311,028
Unassigned:	147,795	-	-	-	-	147,795
<b>Total Fund Balance</b>	<b>147,795</b>	<b>330,574</b>	<b>369,330</b>	<b>317,372</b>	<b>293,752</b>	<b>1,458,823</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 168,828</b>	<b>\$ 331,345</b>	<b>\$ 369,330</b>	<b>\$ 319,002</b>	<b>\$ 296,505</b>	<b>\$ 1,485,010</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,458,823
Internal Service Fund Net Position	7,403
Governmental Capital Assets	1,510,166
Long-term Liabilities	
Compensated Absences	(32,730)
Unavailable Property Taxes Receivable	26,187
<b>Net Position of Governmental Activities</b>	<b>\$ 2,969,849</b>

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

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

	MAJOR					Total Governmental Funds
	General	Bus Depreciation	Miscellaneous Programs	Building Reserve	Other Governmental Funds	
<b>REVENUES:</b>						
District Levies	\$ 246,507	\$ 9,475	\$ -	\$ 18,985	\$ 31,367	\$ 306,334
Interest	936	1,897	(7,455)	1,790	1,624	(1,208)
Charges for Services	-	-	7,704	-	24,350	32,054
Other	-	-	586,817	-	-	586,817
County	-	-	-	-	221,333	221,333
State	751,214	131	14,109	113	56,508	822,075
Federal	316	13	52,866	25	19,590	72,810
<b>Total Revenues</b>	<b>998,973</b>	<b>11,516</b>	<b>654,041</b>	<b>20,913</b>	<b>354,772</b>	<b>2,040,215</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services	601,389	-	123,981	-	93,850	819,220
Support Services	7,847	-	-	-	1,264	9,111
Educational Media Services	42,164	-	-	-	26,404	68,568
General Administrative Services	168,687	-	16,461	-	17,147	202,295
Operation & Maintenance Services	107,159	-	10,746	-	16,966	134,871
Transportation Services	12,398	-	-	-	120,642	133,040
School Food Services	22,539	-	-	-	46,537	69,076
Extracurricular	34,078	-	-	-	2,930	37,008
Capital Outlay	-	-	271,495	-	-	271,495
<b>Total Expenditures</b>	<b>996,261</b>	<b>-</b>	<b>422,683</b>	<b>-</b>	<b>325,740</b>	<b>1,744,684</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,712</b>	<b>11,516</b>	<b>231,358</b>	<b>20,913</b>	<b>29,032</b>	<b>295,531</b>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers In	-	-	-	-	1,000	1,000
Fund Transfers (Out)	(1,000)	-	-	-	-	(1,000)
<b>Total Other financial Sources/Uses</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,712</b>	<b>11,516</b>	<b>231,358</b>	<b>20,913</b>	<b>30,032</b>	<b>295,531</b>
<b>FUND BALANCE:</b>						
Beginning of the Year	123,583	319,058	137,972	296,459	286,220	1,163,292
Prior Period Adjustments	22,500	\$ -	\$ -	\$ -	(22,500)	-
<b>End of the Year</b>	<b>\$ 147,795</b>	<b>\$ 330,574</b>	<b>\$ 369,330</b>	<b>\$ 317,372</b>	<b>\$ 293,752</b>	<b>\$ 1,458,823</b>

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

Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net Changes in Fund Balance	\$	295,531
Change in net position from internal service funds		1,417
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		(6,057)
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(103,384)	
(Increase) decrease in compensated absence liability	<u>(1,656)</u>	(105,040)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays		<u>271,495</u>
Change in net position reported on the Statement of Activity	\$	<u>457,346</u>

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

Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

	<u>Governmental</u>
	<u>Activities - Internal</u>
	<u>Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 7,403
Total Current Assets	<u>7,403</u>
Total Assets	<u>\$ 7,403</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Unrestricted (Deficit)	<u>7,403</u>
Total Net Position	<u>7,403</u>
Total Liabilities and Net Position	<u>\$ 7,403</u>

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

Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014

	<u>Governmental</u> <u>Activities - Internal</u> <u>Service</u>
OPERATING REVENUES:	
Charges for Services	<u>3,636</u>
Total Operating Revenues	<u>3,636</u>
OPERATING EXPENSES:	
Personal services	<u>2,250</u>
Total Operating Expense	<u>2,250</u>
OPERATING INCOME (LOSS)	<u>1,386</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>31</u>
Total nonoperating revenue (expenses)	<u>31</u>
CHANGE IN NET POSITION	1,417
NET POSITION:	
Beginning of the Year	<u>5,986</u>
End of the Year	<u>\$ 7,403</u>

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

Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	<u>Governmental Activities -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 3,636
Payments to Employees	<u>(2,250)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>31</u>
Net Cash Provided (Used) by Investing Activities	<u>31</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>1,417</u>
BALANCE:	
Beginning of the Year	<u>5,986</u>
End of the Year	<u>\$ 7,403</u>

RECONCILIATION OF OPERATING INCOME (LOSS)  
TO NET CASH PROVIDED (USED) BY OPERATING  
ACTIVITIES:

Operating Income (Loss)	<u>\$ 1,386</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,386</u>

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

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 59,473	\$ 37,450
Total Assets	<u>59,473</u>	<u>37,450</u>
<b>LIABILITIES:</b>		
Current Liabilities		
Warrants Payable	-	37,450
Total Liabilities	<u>-</u>	<u>37,450</u>
<b>NET POSITION:</b>		
Restricted for Endowment	2,828	
Restricted for Student Activities	56,645	
Total Net Position	<u>\$ 59,473</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2014

	Private Purpose
	Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 93,127
Contributions to Endowment	16
Total Additions	<u>93,143</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	<u>83,804</u>
Total Deductions	<u>83,804</u>
CHANGE IN NET POSITION	9,339
<b>NET POSITION:</b>	
Beginning of the Year	<u>50,134</u>
End of the Year	<u>\$ 59,473</u>

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

WINIFRED SCHOOL DISTRICT NO. 115  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Winifred School District No. 115 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

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

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of one legal entity, which provides education for kindergarten through twelfth grade. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING  
1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

WINIFRED SCHOOL DISTRICT NO. 115

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

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

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

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

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

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

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

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

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

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the flexibility fund since the restrictions on those funds are similar to the general fund.

WINIFRED SCHOOL DISTRICT NO. 115

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

- Bus Depreciation Fund – This fund is used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.
- Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

1. b. 3 OTHER FUND TYPES

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the School District, or to other governments, on a cost reimbursement basis. The fund include a self-insurance health insurance fund. Because all of the services predominately benefit governmental rather than business type functions, they are included with governmental activities in the government-wide financial statements.

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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

1. c. 1 CASH AND INVESTMENTS

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

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

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

1. c. 2 TAXES

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

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

WINIFRED SCHOOL DISTRICT NO. 115

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

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	20 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 15 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 10 days of sick leave each year. Unused sick leave will be accruable to 180 days. Upon termination, an employee with at least 3 years of experience with the district shall be paid a maximum of 25 days at \$35 per day.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$4,720 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

WINIFRED SCHOOL DISTRICT NO. 115

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

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 11,450
Operations and Maintenance	17,745
Student Transportation	20,592
School Food	10,106
Third Party Grantor Restrictions	369,330
Employer Retirement Benefits	107,206
Future Technology	120,288
Future Capital Costs	654,311
Total	<u>\$ 1,311,028</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first.

- 1. d. OTHER
- 1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- 1.d. 2 County Provided Services

The School District is provided various financial services by Fergus County. The County also serves as cashier and treasurer for the School 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 Fergus County. The collections made by Fergus County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the Fergus County Treasurer. No service charges have been recorded by the School District or the Fergus County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Funds</u>	
Cash and Cash Equivalents	<u>\$ 1,450,577</u>	<u>\$ 96,923</u>	<u>\$ 1,547,500</u>

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

	<u>Amount</u>
Demand Accounts	\$ 56,445
County Investment Pool	1,491,055
Total	<u>\$ 1,547,500</u>

Cash resources of the School District are held and managed by the Fergus County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Fergus County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S government securities, certificates of deposit, repurchase agreements, and STIP and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Fergus County government. Because of the custodial involvement of the Fergus County government, and the commingling of cash in County deposits in the name of the Fergus County Treasurer, full risk classifications according to GASB 40 are available in the Fergus County's annual report. There is no known maturity and credit rating of the Fergus County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at Fergus County. As of June 30, 2014, \$56,445 was exposed to custodial credit risk and was covered by FDIC insurance. The District also had a separate demand account for its miscellaneous fund that was not at Fergus County. As of June 30, 2014, \$7,487 was exposed to custodial credit risk and was covered by FDIC insurance.

WINIFRED SCHOOL DISTRICT NO. 115

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

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$1,487,016. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	175.13	\$ 21,033
Transportation	13.15	1,711
Bus Depreciation*	6.72	771
Technology	9.40	1,042
Building Reserve*	13.45	1,630
Total	<u>217.85</u>	<u>\$ 26,187</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous *	\$ 11,204	State of MT	Title I Part A
Miscellaneous *	3,084	State of MT	Title II Part A
Traffic Education	1,361	State of MT	Per pupil reimbursement
Total	<u>\$ 15,649</u>		

\* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 23,856	\$ 10,495	\$ 0	\$ 34,351
Construction In Progress	0	1,000	0	1,000
Total Non-depreciable	<u>\$ 23,856</u>	<u>\$ 11,495</u>	<u>\$ 0</u>	<u>\$ 35,351</u>
<u>Depreciable:</u>				
Buildings	\$ 1,708,798	\$ 0	\$ 0	\$ 1,708,798
Improvements other than buildings	39,607	0	0	39,607
Machinery and equipment	529,916	260,000	16,995	772,921
Total Depreciable	<u>\$ 2,278,321</u>	<u>\$ 260,000</u>	<u>\$ 16,995</u>	<u>\$ 2,521,326</u>
<u>Accumulated Depreciation:</u>				
Buildings	\$ (553,302)	\$ (41,458)	\$ 0	\$ (594,760)
Improvements other than buildings	(36,698)	(970)	0	(37,668)
Machinery and equipment	(370,121)	(60,957)	16,995	(414,083)
Total Depreciation	<u>\$ (960,121)</u>	<u>\$ (103,385)</u>	<u>\$ 16,995</u>	<u>\$ (1,046,511)</u>
Net Depreciable Assets	<u>1,318,200</u>	<u>156,615</u>	<u>0</u>	<u>1,474,815</u>
Net General Capital Assets	<u>\$ 1,342,056</u>	<u>\$ 168,110</u>	<u>\$ 0</u>	<u>\$ 1,510,166</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 7,296
School Administration	675
Operation & Maintenance	620
Transportation	51,637
School Food	730
Unallocated	42,427
Total Depreciation Expense	<u>\$ 103,385</u>

WINIFRED SCHOOL DISTRICT NO. 115

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

NOTE 6. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>				
Compensated Absences	\$ 31,072	\$ 1,658	\$ 32,730	\$ 4,720
Total Governmental Activities				
- Long-Term Debt:	<u>\$ 31,072</u>	<u>\$ 1,658</u>	<u>\$ 32,730</u>	<u>\$ 4,720</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 21,033	Taxes Receivable
Transportation	1,711	Taxes Receivable
Bus Depreciation*	771	Taxes Receivable
Technology	1,042	Taxes Receivable
Building Reserve*	1,630	Taxes Receivable
Total	<u>\$ 26,187</u>	

\* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 22,500	To include the flexibility fund in the general fund
Flexibility	(22,500)	To include the flexibility fund in the general fund
Total	<u>\$ 0</u>	

\* Denotes Major Funds

NOTE 9. TRANSFERS

<u>Fund - From</u>	<u>Amount</u>	<u>Fund - To</u>
General*	\$ 1,000	Compensated absences - Allowable transfer
Total	<u>\$ 1,000</u>	

\* Denotes Major Funds

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

The School District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. The School District uses a single premium for both active and retired employees resulting in an implicit rate subsidy (the older retiree benefits from the School District's blended premium). The School District has not recorded a liability for the implicit rate subsidy as based on an analysis of the cost it is not material to the School District's financial statements. At June 30, 2014 the School District had no retired employees on the group insurance plan.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM

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

WINIFRED SCHOOL DISTRICT NO. 115

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

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

Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, MT 59620-0139  
Phone: 406-444-3134  
www.trs.doa.state.mt.us

Public Employees Retirement System  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, MT 59620-0131  
Phone: 406-444-3154  
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 87,002	\$ 89,666	\$ 111,208
PERS	18,128	16,624	19,362
Total	<u>\$ 105,130</u>	<u>\$ 106,290</u>	<u>\$ 130,570</u>

NOTE 12. RISK MANAGEMENT

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

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

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Winifred School District No. 115 is a member of the Central Montana Learning Resource Center Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Winifred School District No. 115, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

WINIFRED SCHOOL DISTRICT NO. 115

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

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

NOTE 14. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

14 a. MULTIDISTRICT COOPERATIVE

The School District has entered into an agreement with Lewistown Elementary, Fergus High School, Denton Elementary, Denton High School, Grass Range Elementary, Grans Range High School, Harlowton Elementary School, Harlowton High School, Ayers Elementary, Roy K-12 Schools, Winifred K-12 Schools, Moore Elementary, Moore High School, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson k-12 Schools, Judith Gap Elementary, Judith Gap High School, Stanford K-12 Schools and the Central Montana Learning Resource Center Cooperative to provide technology services to each participating School District.

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

Fergus High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Fergus High School. During fiscal year ended June 30, 2014 Winifred School District paid Fergus High School \$8,880 for its share of the annual technical support fee.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	General			Bus Depreciation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 260,383	\$ 260,383	\$ 246,507	\$ 10,000	\$ 10,000	\$ 9,475
Interest	1,127	1,127	804	-	-	1,897
State	749,721	749,721	751,214	-	-	131
Federal	-	-	316	-	-	13
<b>Total Revenues</b>	<u>1,011,231</u>	<u>1,011,231</u>	<u>998,841</u>	<u>10,000</u>	<u>10,000</u>	<u>11,516</u>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services			601,389			-
Support Services			7,847			-
Educational Media Services			42,164			-
General Administrative Services			168,687			-
Operation & Maintenance Services			107,159			-
Transportation Services			12,398			-
School Food Services			22,539			-
Extracurricular			34,078			-
Capital Outlay			-			-
<b>Total Expenditures</b>	<u>1,026,231</u>	<u>1,026,231</u>	<u>996,261</u>	<u>329,058</u>	<u>329,058</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>2,580</u>	<u>(319,058)</u>	<u>(319,058)</u>	<u>11,516</u>
<b>OTHER FINANCING SOURCES/USES</b>						
Fund Transfers (Out)			(1,000)			-
<b>Total Other financial Sources/Uses</b>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>1,580</u>	<u>(319,058)</u>	<u>(319,058)</u>	<u>11,516</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			123,583			319,058
End of the Year			<u>\$ 125,163</u>			<u>\$ 330,574</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	Flexibility Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES:</b>			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	132
State	-	-	-
Federal	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>132</b>
<b>EXPENDITURES:</b>			
Current			
Instructional Services			-
Support Services			-
Educational Media Services			-
General Administrative Services			-
Operation & Maintenance Services			-
Transportation Services			-
School Food Services			-
Extracurricular			-
Capital Outlay			-
<b>Total Expenditures</b>	<b>22,500</b>	<b>22,500</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(22,500)</b>	<b>(22,500)</b>	<b>132</b>
<b>OTHER FINANCING SOURCES/USES</b>			
Fund Transfers (Out)			-
<b>Total Other financial Sources/Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(22,500)</b>	<b>(22,500)</b>	<b>132</b>
<b>FUND BALANCE:</b>			
Beginning of the Year			22,500
End of the Year			<u>\$ 22,632</u>

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

WINIFRED SCHOOL DISTRICT NO. 115

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

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

1. a. 2 Budget Operation:

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

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

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

WINIFRED SCHOOL DISTRICT NO. 115

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

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

	<u>Sub-fund</u> <u>General</u> <u>Fund</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:			
District Levies	\$ 246,507	\$ 0	\$ 246,507
Interest Earnings	804	132	936
State Sources	751,214	0	751,214
Federal	316	0	316
Total Revenues	<u>\$ 998,841</u>	<u>\$ 132</u>	<u>\$ 998,973</u>
EXPENDITURES:			
Instructional Services	601,389	0	601,389
Support Services	7,847	0	7,847
Educational Media	42,164	0	42,164
General Administrative	168,687	0	168,687
Operation & Maintenance	107,159	0	107,159
Transportation	12,398	0	12,398
Extracurricular	34,078	0	34,078
School Food	22,539	0	22,539
Total Expenditures	<u>\$ 996,261</u>	<u>\$ 0</u>	<u>\$ 996,261</u>
Excess (Deficiency) of Revenues Over Expenditures	2,580	132	2,712
Transfers (Out)	<u>(1,000)</u>	<u>0</u>	<u>(1,000)</u>
Net Changes In Fund Balance	<u>1,580</u>	<u>132</u>	<u>1,712</u>
FUND BALANCE:			
Beginning of the Year	123,583	0	123,583
Prior Period Adjustment	<u>0</u>	<u>22,500</u>	<u>22,500</u>
Ending of the Year	<u>125,163</u>	<u>22,632</u>	<u>147,795</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility fund because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the miscellaneous fund is non-budgeted fund special revenue fund and the building reserve fund is a budgeted capital projects fund.

Winifred School District No. 115  
 Schedule of Revenues, Expenses and Balances  
 Student Activity Funds  
 Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Transfers	Ending Balance <u>6/30/2014</u>
ATHLETIC	1,987	9,344	5,486	-	5,845
CLASS OF 16	3,041	5,133	3,286	(85)	4,803
CLASS OF 17	730	3,568	1,243	(355)	2,700
CLASS OF 18	2,049	3,039	939	95	4,244
CLASS OF 19	-	2,205	1,174	(15)	1,016
GRADUATES	5,173	-	-	(5,173)	-
DRAMA	4,291	901	1,705	-	3,487
BPA	4,058	11,761	9,402	(739)	5,678
CLASS OF 14	7,846	13,064	18,157	(2,700)	53
MUSIC	107	160	110	-	157
CLASS OF 15	6,800	5,507	1,311	-	10,996
FFA	6,851	18,315	22,004	999	4,161
POP	811	1,073	782	-	1,102
YELLOWSTONE	243	-	-	-	243
STUDENT COUNCIL	492	441	370	-	563
ANNUAL	-	112	-	-	112
MISSOURI TRIP	-	1,501	4,234	7,973	5,240
CO-OP	2,843	17,003	13,601	-	6,245
FFA DISTRICT	-	-	-	-	-
<b>Total</b>	<u>47,322</u>	<u>93,127</u>	<u>83,804</u>	<u>-</u>	<u>56,645</u>

WINIFRED SCHOOL DISTRICT NO. 115

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	5	5	0
Grade 1 - 6	41	41	0
Grade 7 - 8	18	18	0
Total	<u>64</u>	<u>64</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>31</u>	<u>31</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	0	0	0

WINTER ENROLLMENT - DECEMBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	5	5	0
Grade 1 - 6	40	40	0
Grade 7 - 8	17	17	0
Total	<u>62</u>	<u>62</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>30</u>	<u>30</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	0	0	0

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	6	6	0
Grade 1 - 6	42	42	0
Grade 7 - 8	17	17	0
Total	<u>65</u>	<u>65</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>30</u>	<u>30</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	0	0	0
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	0	0	0

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Winifred School District No. 115  
Fergus County  
Winifred, Montana 59489

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winifred School District No. 115 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Winifred School District No. 115's basic financial statements and have issued our report thereon dated June 11, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winifred School District No. 115's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winifred School District No. 115's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



STROM & ASSOCIATES, PC  
Billings, Montana  
June 11, 2015

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

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SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.