EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

COUNTY HIGH SCHOOL DISTRICT AND
ELEMENTARY SCHOOL DISTRICT #15
DISTRICT LEGAL ENTITY #0097 & #0087
CARTER COUNTY

JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BAKER, MONTANA

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2014

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EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2014

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Ekalaka Public Schools

Ekalaka, Montana
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The Business Manager/Clerk of the District has provided this MD&A to give the reader of these statements an overview of the financial position and activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

The District was positively impacted thru the passage of Senate Bill 175, specifically the concentric circles portion which redirected Oil and Gas taxes to schools instead of the State Guarantee Account, where it was previously deposited. Once the schools in Fallon County received the maximum allowed by law (130% of their maximum general fund budget), the overage 'spilled' to schools in counties that it touched. This is guaranteed for three years (thru FY16). The following amounts were deposited into the Flexibility Fund of each school:

	Oil and Gas Tax Revenue	
	FY13	FY14
Carter County High School	6,400.00	341,202.96
Ekalaka Elementary	11,600.00	355,774.17

The district renewed their Multidistrict Agreement between the two schools for three years (July 2014-June 2017). MCA 20-3-363 allows each participating school to transfer funds from the general fund and any budgeted fund or non-budgeted fund, with some restrictions. The fund balance as of June 30, 2014 was $441,067.28. This agreement was first established in the FY11 school year.

The elementary district ran a successful bond campaign for $5,600,000. The proceeds of the Bonds are being used for the purpose of paying the costs of designing, equipping and furnishing a new grade school building on the Carter County High School campus, to include classrooms, a gymnasium, a media center, secure entrances, a multiple-use mezzanine level and office space. Construction is expected to commence in the spring of 2015 and is expected to be completed by the end of the 2015 calendar year.

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.

Government-wide financial statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the District as a whole and present a long-term view of the District's finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as what remains for future spending. These

government-wide statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the net assets and changes in them. One can think of net position, the difference between assets and liabilities, as one way to measure the financial health, or financial position. Over time, increases, or decreases in net position are one indicator of whether the government's financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment increases and declines and changes in the State's funding formulas to assess the overall health.

Fund financial statements. The fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds-not the government as a whole.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We utilize the following funds:

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

Fiduciary funds-The district is the Trustee, or Fiduciary for endowment funds (scholarships), student extracurricular funds and the Interlocal Agreement 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.

SUMMARY - THE SCHOOL DISTRICT AS A WHOLE

The Net Position Table presents a comparative summary of the District's net position for the fiscal years ended June 30, 2013 and 2014. The District uses these Capital assets, such as land, buildings, machinery and equipment are used to provide services to its students; consequently, these assets are not available for future spending.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints of legislative or other legal requirements total $993,905, which is a significant increase from last year. This increase is a direct result of the oil and gas revenue and the interlocal agreement fund balance.

Net Position

		2013	2014
ASSETS			
Current Assets	$	944,287	1,664,284
Capital assets-net		1,107,672	1,002,841
Total assets	$	2,051,959	2,667,125
LIABILITIES			
Current		2,103	3,000
Noncurrent		32,999	28,425
Total liabilities		35,102	31,425
NET POSITION			
Invested in Capital assets		1,041,329	1,002,841
Unrestricted net position		386,403	993,905
Restricted net position		589,125	638,954
Total Net Position		2,016,857	2,635,700

Overall, revenue was up by 26%:

Revenues	2013	2014	% +/-
Property taxes	866988	912007	5%
Earnings on investments	4221	3357	-26%
School lunch sales	24138	22993	-5%
Other local sources	242622	307865	21%
State Aid	838966	1494039	44%
Federal Aid	123480	103876	-19%
Gain on sale of assets	352	0	-100%
Total Revenues	2100767	2844137	26%

The table below shows expenses for all governmental funds combined.

Expenditures	2013	2014	$ +/-	% +/-
Instructional services	656593	678494	21901	3%
Students	52350	57088	4738	8%
Instructional staff	93469	58106	-35363	-61%
District administration	133665	129363	-4302	-3%

Business services	170429	140291	-30138	-21%
Operation & Maint. of facilities	246493	360692	114199	32%
Transportation	268533	268810	277	1%
Special education	65582	82699	17117	21%
Adult education	8930	5276	-3654	-69%
Vocational programs	173605	161482	-12120	-8%
Extracurricular programs	104445	98867	-5578	-6%
Food services	108415	95100	-13315	-14%
Unallocated depreciation	57888	54026	-3862	-7%
Transfers	225000	35000	-190000	-543%
Total Expenditures	2365397	2225294	-140103	-6%

Capital outlay:

- The district replaced two school buses this fiscal year, shown in capital outlay.

THE FUTURE OF THE DISTRICT

*The two year contract with the Teachers Union ends June 30, 2015.

*The District renewed the multi-district agreement within the two schools and will strive to keep the Interlocal Agreement Fund balance healthy.

*The portion of Senate Bill 175 that is providing oil and gas revenue to flow from Fallon to Carter County sunsets FY16. This will be a devastating blow to our oil and gas revenue.

*Bentonite revenue is unstable at best. Revenues were once again less than anticipated and we will budget conservatively for FY15.

*Enrollment has stabilized somewhat at each school and projections look promising.

*The elementary district passed a $5,600,000 bond for replacing the existing elementary building. The bond debt service schedule is below:

BOND DEBT SERVICE

EKALAKA ELEMENTARY SCHOOL DISTRICT NO. 15
CARTER COUNTY, MONTANA
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2014
'A' Rating, BQ, $5.6M Par, 10-Year Term, 7/1/19 Par Call
FINAL PRICING

Dated Date	09/26/2014
Delivery Date	09/26/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/01/2015			33,088.37	33,088.37	
07/01/2015	500,000	2.000%	62,693.75	562,693.75	595,782.12
01/01/2016			57,693.75	57,693.75	
07/01/2016	520,000	2.000%	57,693.75	577,693.75	635,387.50
01/01/2017			52,493.75	52,493.75	
07/01/2017	530,000	2.000%	52,493.75	582,493.75	634,987.50
01/01/2018			47,193.75	47,193.75	
07/01/2018	540,000	2.000%	47,193.75	587,193.75	634,387.50
01/01/2019			41,793.75	41,793.75	
07/01/2019	550,000	2.000%	41,793.75	591,793.75	633,587.50
01/01/2020			36,293.75	36,293.75	
07/01/2020	565,000	2.500%	36,293.75	601,293.75	637,587.50
01/01/2021			29,231.25	29,231.25	
07/01/2021	580,000	2.250%	29,231.25	609,231.25	638,462.50
01/01/2022			22,706.25	22,706.25	
07/01/2022	590,000	2.375%	22,706.25	612,706.25	635,412.50
01/01/2023			15,700.00	15,700.00	
07/01/2023	605,000	2.500%	15,700.00	620,700.00	636,400.00
01/01/2024			8,137.50	8,137.50	
07/01/2024	620,000	2.625%	8,137.50	628,137.50	636,275.00
	5,600,000		718,269.62	6,318,269.62	6,318,269.62

* Pipelines represent the largest share of taxpayers for both schools. Production is expected to increase over the next several years and we anticipate taxable values will go up for each school.

Taxpayer Name	Carter County High School			Ekalaka Elementary #15		
	Taxable Market Value	Taxable Value	% of District Taxable Value	Taxable Market Value	Taxable Value	% of District Taxable Value
Bison Pipeline LLC	157,253,668.00	18,870,440.00	56.32%	79,574,051.00	9,548,886.00	61.77%
OneOk Bakken Pipeline	34,235,030.00	4,108,304.00	12.26%	17,058,131.00	2,046,976.00	13.24%
Butte Pipeline Co.	29,959,928.00	3,595,191.00	10.73%	6,470,781.00	776,494.00	5.02%
Williston Basin Interstate	22,443,920.00	2,695,269.00	8.04%	6,022,184.00	722,662.00	4.67%
Belle Fourche Pipeline	3,136,879.00	376,428.00	1.12%			
Black Hills Power Inc	1,204,984.00	144,719.00	0.43%			
Southeast Electric	3,646,063.00	106,381.00	0.32%	2,534,015.00	76,020.00	0.49%
TOTALS		29,896,732.00	89.22%		13,171,038.00	85.19%
TOTAL DISTRICT TAXABLE VALUE		**33,506,335.00**			**15,458,493.00**	

For further information, please contact the following staff:

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Lora Tauck, Business Manager/Clerk lorat@ekalaka.k12.mt.us

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2014

BOARD OF TRUSTEES

Helen King	Chairperson
Scott Kittelmann	Trustee
Cassidy Jesperson	Trustee
Jef Jourdan	Trustee
Arnold Rychner	Trustee
Michelle Tooke	Trustee
Vacant	Trustee

OFFICIALS

Allison Hardin	District Superintendent
Tracy Walker	County Superintendent
Albert R. Batterman	County Attorney
Lora Tauck	Clerk of Board

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James J. Wosepka, PC - Certified Public Accountant

Licensed in North Dakota and Montana

Independent Auditor's Report

Board of Trustees
Carter County High School
Ekalaka Elementary School District #15
Ekalaka, Montana 59324

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 Ekalaka Public Schools, Ekalaka, 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 Ekalaka Public Schools, Ekalaka, Montana, as of June 30, 2014, and the respective changes in financial position 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 and budgetary comparison information on pages i - vi and 24 - 28 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 Ekalaka Public Schools, Ekalaka, Montana's basic financial statements. The supplemental schedules on pages 29 – 33 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 29 – 33 is 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 supplemental schedules on pages 29 – 33 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of Ekalaka Public Schools, Ekalaka, 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 Ekalaka Public Schools, Ekalaka, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By James J. Wosepka CPA

Baker, Montana
December 2, 2014

EKALAKA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,591,410
Taxes receivable	1,033
Due from other governments	22,609
Inventories	49,232
Capital assets not being depreciated	
Land	1,900
Capital assets being depreciated (net of accumulated depreciation)	1,000,941
Total Assets	2,667,125
LIABILITIES	
Noncurrent liabilities:	
Due within one year	3,000
Due in more than one year	28,425
Total Liabilities	31,425
NET POSITION	
Net investment in capital assets	1,002,841
Unrestricted	993,905
Restricted:	
Transportation	2,398
Bus Depreciation	326,938
Retirement	27,048
Technology	12,256
Capital Projects	135,950
Other Educational Purposes	134,364
Total Net Position	$ 2,635,700

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fines, Forfeitures, etc.	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:				
Instructional services	$ 678,494	$ 1,000	$ 77,608	$ (599,886)
Supporting services:				
Students	57,088	-	-	(57,088)
Instructional staff	58,106	-	2,293	(55,813)
District administration	129,363	-	-	(129,363)
Business services	140,291	-	-	(140,291)
Operation & maintenance of facility	360,692	-	-	(360,692)
Transportation	268,810	-	116,400	(152,410)
Special education	82,699	-	30,734	(51,965)
Adult education	5,276	-	-	(5,276)
Vocational education	161,482	-	6,980	(154,502)
Extracurricular programs	98,867	-	-	(98,867)
School lunch services	95,100	22,993	23,534	(48,573)
Unallocated depreciation	54,026	-	-	(54,026)
Transfers	35,000	-	-	(35,000)
Total governmental activities	$ 2,225,294	$ 23,993	$ 257,549	$ (1,943,752)
General revenues:				
Property taxes				912,007
Unrestricted Federal/State shared revenues				969,598
Unrestricted grants and contributions				654,184
Unrestricted investment earnings				3,357
Miscellaneous				23,449
Total general revenues and transfers				2,562,595
Change in net position				618,843
Total net position - July 1, 2013				2,016,857
Total net position - June 30, 2014				$ 2,635,700

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Description	General	Major Fund: High School Bus Depreciation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,053,698	$ 274,666	$ 263,046	$ 1,591,410
Taxes receivable	748	87	198	1,033
Due from other governments	-	-	22,609	22,609
Due from other funds	-	-	-	-
Inventories	49,232	-	-	49,232
Total Assets	1,103,678	274,753	285,853	1,664,284
DEFERRED INFLOWS OF RESOURCES-				
Unavailable revenue-property taxes	748	87	198	1,033
FUND BALANCES				
Nonspendable	49,232	-	-	49,232
Spendable:				
Restricted	-	274,666	283,356	558,022
Assigned	914,950	-	2,299	917,249
Unassigned	138,748	-	-	138,748
Total fund balances	1,102,930	274,666	285,655	1,663,251
Total Deferred Inflows of Resources and Fund Balances	$ 1,103,678	$ 274,753	$ 285,853	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,002,841
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	1,033
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(31,425)
Total Net Position - Governmental Funds	$ 2,635,700

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

Description	General	Major Fund: High School Bus Depreciation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 647,581	$ 97,871	$ 168,508	$ 913,960
Earnings on investments	1,266	853	1,238	3,357
School lunch sales	-	-	22,993	22,993
Other local sources	22,769	-	285,096	307,865
State revenue	1,421,775	8,715	63,549	1,494,039
Federal revenue	-	-	103,876	103,876
Total Revenues	2,093,391	107,439	645,260	2,846,090
EXPENDITURES				
Current:				
Instructional services	524,502	-	151,392	675,894
Supporting services:				
Students	41,555	-	15,533	57,088
Instructional staff	5,211	-	52,895	58,106
District administration	99,300	-	30,063	129,363
Business services	116,269	-	24,022	140,291
Operation & maintenance of facilities	269,568	-	78,750	348,318
Transportation	-	409	199,416	199,825
Special education	35,403	-	47,296	82,699
Adult education	-	-	5,276	5,276
Vocational programs	136,563	-	24,919	161,482
Extracurricular programs	71,850	-	5,826	77,676
Food services	43,652	-	56,168	99,820
Capital outlay	-	52,270	64,510	116,780
Total Expenditures	1,343,873	52,679	756,066	2,152,618
Excess of revenues (under) over expenditures	749,518	54,760	(110,806)	693,472
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(20,000)	(15,000)	(35,000)
Total other financing sources (uses)	-	(20,000)	(15,000)	(35,000)
Net change in fund balances	749,518	34,760	(125,806)	658,472
Fund balances - July 1, 2013-as previously reported	288,060	239,906	477,575	1,005,541
Prior period reclassification	66,114	-	(66,114)	-
Fund balances - July 1, 2013-as reclassified	354,174	239,906	411,461	1,005,541
Change in inventory	(762)	-	-	(762)
Fund balances - June 30, 2014	$ 1,102,930	$ 274,666	$ 285,655	$ 1,663,251

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (page 8)	$ 658,472
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
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	117,891
Depreciation expense	(156,379)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	(1,953)
Adjust for Change in Inventory	(762)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences and contracts payable	1,574
Change in Net Position in Governmental Activities	$ 618,843

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

Description	Trust Funds Private Purpose Trust Funds	Agency Funds Agency Composite
ASSETS		
Cash and cash equivalents	$ 497,068	$ 191,273
Total Assets	497,068	191,273
LIABILITIES		
Warrants payable	-	191,273
Due to others	-	-
Total Liabilities	-	191,273
NET POSITION		
Held in trust for student scholarships	11,893	
Held in trust for interlocal agreement	441,067	
Held in trust for student activities	44,108	
	$ 497,068	

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

Description	Trust Funds Private Purpose Trust Funds
ADDITIONS:	
Miscellaneous revenue	$ 300
Student activities	124,448
Investment earnings	1,338
Transfers in	35,000
Total Additions	161,086
DEDUCTIONS:	
Student activities	126,373
Educational services	16,673
Student scholarships	600
Total Deductions	143,646
Change in net position	17,440
Net Position-July 1, 2013	479,628
Net Position-June 30, 2014	$ 497,068

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Principles

The financial statements of Ekalaka Public Schools (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

All operations of the District are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the District's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. The District is considered to be an independent reporting entity.

There are no other organizations that are financially dependent on the District or otherwise could be considered component units of the District.

Under state law, the District consists of two legally separate districts, high school and elementary. The high school district includes all of the area covered by the elementary district. The elementary district provides education from kindergarten through the eighth grade and the high school provides education from grades nine through twelve.

Although the districts are accounted for separately because of differences in funding and legal requirements, the two districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The elementary and high school general funds have been combined and reported as the General Fund in the accompanying financial statements.

Basis of Presentation and Basis of Accounting

Government-wide Statements – The Statements of Net Position and the Statement of Activities show information about the overall financial position and activities of the School District, with the exception of the student activity, endowment, and inter-local agreement funds.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.

1. **Summary of Significant Accounting Principles – cont.**

On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

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. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Fund Financial Statements – These statements provide information about the District's funds including a separate statement for the District's fiduciary funds (the student activity fund, endowment funds, and inter-local agreement fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year end are not significant. Deferred inflows of resources are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Major Funds – Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, the District reports the following major governmental funds:

1. **Summary of Significant Accounting Principles – cont.**
Major Funds – cont.

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.

Bus Depreciation Reserve Fund – This fund is used to accumulate monies for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. The fund may not be used to purchase additional athletics/activities buses.

The District reports the following fund types:

Trust Funds – The District also has private-purpose trust funds, its student activity fund, which accounts for the extracurricular activities of its students and a scholarship fund, which accounts for funds donated for college scholarships for its graduating seniors.

Inter-local Agreement Fund – The Inter-local Agreement Fund is authorized by Sections 20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA, for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

Cash and Investments

Except for the Extracurricular Fund (a private purpose trust fund), all cash and investments are held by the County Treasurer. All funds deposited are pooled and invested in accordance with state law. Interest earnings are allocated to the District based on average month-end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the District to determine the investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County's pooled investments. Information as to the County's investment pool can be obtained from the County's annual financial report. The extracurricular funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

Warrants Payable

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Warrants issued by the District, but not yet paid by the County Treasurer amounted to $191,273.

1. **Summary of Significant Accounting Principles – cont.**

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District has inventories that are considered nonspendale. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that contain self-imposed constraints by a formal action of the government from its highest level of decision making authority.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

- Unassigned: fund balances of the General Fund that is not constrained for any particular purpose.

Assigned and committed funds are at the determination of the Board of Trustees.

The General Fund beginning fund balance has been restated to include the High School and Elementary Flexibility funds.

1. **Summary of Significant Accounting Principles – cont.**

Fund Balance Reporting – cont.

	Major Funds			
	General Fund	High School Bus Depreciation	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	$ 49,232	$ -	$ -	$ 49,232
Restricted:				
Technology	-	-	12,213	12,213
Bus Depreciation	-	274,666	52,154	326,820
Food Service	-	-	1,991	1,991
Retirement	-	-	27,048	27,048
Adult Education	-	-	21,568	21,568
Traffic Education	-	-	281	281
Compensated Absences	-	-	5,059	5,059
Lease Rental	-	-	1,089	1,089
School Operations	-	-	26,006	26,006
Capital Projects	-	-	135,947	135,947
Assigned:				
School Operations	914,950	-	-	914,950
Capital Projects	-	-	2,299	2,299
Unassigned	138,748	-	-	138,748
Total Fund Balance	$ 1,102,930	$ 274,666	$ 285,655	$ 1,663,251

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Capital Assets – Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of $5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	7-25 years

Taxes

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. Management does not believe that the accounting method being used results in any material differences.

1. Summary of Significant Accounting Principles – cont.

Inventories

Inventories of materials and supplies on hand as of June 30, 2014 are maintained and are stated at cost, first-in, first out. Reported inventories are equally offset by a fund balance restriction which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investments of the nonexpendable fund types to be highly liquid investments and therefore, cash equivalents.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. The liability for unused vacation and sick leave for governmental fund employees is recorded in the general long-term debt account group. Expenditures for these liabilities are recognized when paid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report 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.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**

reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds." The details of this difference are as follows:

Compensated absences	$ (31,425)
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-government activities	$ (31,425)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$ 117,891
Depreciation expense	(156,379)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	$ (38,488)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	$ 1,574
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	$ 1,574

3. **Property Taxes**

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 State Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by state statute as a fixed percentage of market value.

3. **Property Taxes – cont.**

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.

The District is permitted by state statutes to levy taxes for various purposes. The taxes levied by the District for the year ended June 30, 2014 were properly established and were within the legal limits or approved by the voters.

4. **Cash and Investments**

Cash and investments, except for those of the Extracurricular Fund, are held by the County Treasurer in an agency fund. The County Treasurer invests the cash as directed by the District.

Authorized investments allowed by Section 20-9-213, MCA, include direct obligations of the United States government; 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.

At year end, the carrying amount of the District's bank deposits and bank balance for the Extracurricular Fund was $44,108. The bank balance was fully covered by Federal Depository Insurance.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits, either in the District's name or Carter County Treasurer's name, are held as authorized by the State of Montana.

Custodial Credit Risk

The investment policy of the District does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entities' money is insured for each "public unit" based on how the account is titled at the financial institution. The District's certificate of deposit is titled in the name of the County Treasurer as the Custodian for the District; therefore, the District has separate FDIC coverage from the other funds under the control of the Carter County Treasurer.

4. **Cash and Investments – cont.**

Custodial Credit Risk – cont.

The Carter County government is considered to have $250,000 FDIC coverage for demand deposits and $250,000 FDIC coverage for time and savings deposits in each bank in the state.

All of the District deposits with financial institutions that are in excess of the Federal Depository Insurance limits are held by the investment counterparty, not in the name of the District.

Credit, Interest Rate, and Foreign Currency Risk

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the District nor does the District own any foreign investments.

5. **Compensated Absences Payable**

Compensated absences payable represents vacation and sick leave earned by employees which is payable upon termination. Compensated absences are shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Accrued vacation payable	$ 32,999	$ -	$ 1,574	$ 31,425	$ -

6. **Amounts Due From Other Governments**

The amounts due from other governments consist of the following:

Special Revenue Funds	
Due from State	$ 22,609

7. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the District.

8. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Montana School Groups Worker's Compensation Risk Retention Program, a statewide public risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays quarterly premiums for its employer injury insurance coverage.

The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

8. Risk Management – cont.

The District carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases/ Adjustments	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,900	$ -	$ -	$ 1,900
Total capital assets, not being depreciated	1,900	-	-	1,900
Capital assets, being depreciated:				
Buildings and improvements	2,053,161	-	-	2,053,161
Furniture and equipment	992,833	118,390	13,068	1,098,155
Total capital assets, being depreciated	3,045,994	118,390	13,068	3,151,316
Accumulated depreciation for:				
Buildings and improvements	(1,344,803)	(44,985)	-	(1,389,788)
Furniture and equipment	(661,764)	(111,394)	12,571	(760,587)
Total accumulated depreciation	(2,006,567)	(156,379)	12,571	(2,150,375)
Total capital assets, being depreciated, net	1,039,427			1,000,941
Governmental activities capital assets, net	$ 1,041,327			$ 1,002,841

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	$ 3,412
Operation and maintenance of facilities services	7,895
Transportation services	68,985
Food service	870
Unallocated	54,026
Extracurricular	21,191
Total depreciation expense, governmental activities	$ 156,379

10. Statewide Retirement Plans

The District participates in two statewide cost-sharing multiple-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part time nonteaching employees. The Teachers Retirement System (TRS) covers certified teaching employees. The Public Employees Retirement System (PERS) covers nonteaching employees. The plans are established by state law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. 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 56920-0139
Phone: (406) 444-3134

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: (406) 444-3154

10. Statewide Retirement Plans – cont.

The financial statements of PERS include activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be co-mingled with those of another plan.

Contribution rates for both plans are required and determined by state law. The contribution rates, expressed as a percentage of covered payrolls, were as follows:

	Employer	Employee	Total
TRS	8.47	8.15	16.62
PERS	6.80	6.90	13.70
PERS hired after 7/1/11	6.80	7.90	14.70

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. This is considered an on-behalf payment. The District does not record this contribution in their financial statements which is not in accordance with U.S. generally accepted accounting principles.

The amounts contributed by both the employees and the Districts for the prior three years ended June 30 were as follows:

	2014	2013	2012
TRS	$ 116,275	$ 93,426	$ 95,798
PERS	46,641	39,075	38,641
	$ 162,916	$ 132,501	$ 134,439

11. Donated Commodities

The District received donated commodities from the United States Department of Agriculture for use in the food program.

12. Joint Venture

Ekalaka Public Schools is a participant, with a number of other school districts, in the Big Country Special Education Cooperative. The Cooperative is governed by a board comprised of a member from each participating district. The Superintendent of Ekalaka Public Schools represents that District. The Big Country Special Education Cooperative is a joint venture established by an inter-local agreement to offer certain Special Education services to all handicapped students in compliance with state and federal law. Ekalaka Public Schools has an ongoing financial responsibility to fund their proportionate share of the total cooperative budget. Financial statement information can be obtained from the Cooperative.

13. Subsequent Events

The District has evaluated subsequent events through the date of this report.

14. Transfers

The District made the following transfers:

Multi-district Agreement Transfers:

HS Bus Depreciation	$	(20,000)
HS Adult Education		(5,000)
EL Bus Depreciation		(10,000)
HS Interlocal Agreement		35,000

REQUIRED
SUPPLEMENTAL SCHEDULES

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 649,698	$ 649,698	$ 647,581	$ (2,117)
Earnings on investments	744	744	412	(332)
Other local sources	40	40	-	(40)
State revenue	695,941	695,941	707,003	11,062
Federal aid	-	-	-	-
Total revenues	1,346,423	1,346,423	1,354,996	8,573
Expenditures:				
Current:				
Instructional services	565,431	565,431	524,502	40,929
Supporting services:				
Students	46,050	46,050	41,555	4,495
Instructional staff	12,621	12,621	5,211	7,410
District administration	88,265	88,265	99,300	(11,035)
Business services	116,153	116,153	116,269	(116)
Operation and maintenance of facilities	242,735	242,735	263,618	(20,883)
Special education	26,495	26,495	35,403	(8,908)
Vocational programs	137,800	137,800	136,563	1,237
Extracurricular programs	74,457	74,457	71,850	2,607
Food services	34,417	34,417	43,652	(9,235)
Capital outlay	2,000	2,000	5,950	(3,950)
Total expenditures	1,346,424	1,346,424	1,343,873	2,551
Excess of revenues over (under) expenditures	(1)	(1)	11,123	11,124
Other financing sources (uses):				
Transfer out	-	-	-	-
Net change in fund balances	$ (1)	$ (1)	11,123	$ 11,124
Fund balances - beginning - Budget basis			177,619	
Fund balances - ending - Budget basis			188,742	
Change in inventory			(762)	
Fund balance - GAAP basis			$ 187,980	

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
High School Bus Depreciation Fund
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 98,129	$ 98,129	$ 97,871	$ (258)
Earnings on investments	-	-	853	853
Other local sources	-	-	-	-
State revenue	12,900	12,900	8,715	(4,185)
Total revenues	111,029	111,029	107,439	(3,590)
Expenditures:				
Transportation	-	-	409	(409)
Capital outlay	350,936	350,936	52,270	298,666
Total expenditures	350,936	350,936	52,679	298,257
Excess of revenues over expenditures	(239,907)	$ (239,907)	54,760	294,667
Other Financing Sources (uses):				
Transfer out	-	-	(20,000)	(20,000)
Net change in fund balances	$ (239,907)	$ (239,907)	34,760	$ 274,667
Fund balances - beginning - Budget and GAAP basis			239,906	
Fund balances - ending - Budget and GAAP basis			$ 274,666	

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES
JUNE 30, 2014

Budgets

An annual appropriated budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. All budgets are formulated in accordance with state law and are prepared on the basis of accounting described above for fund financial statements. The General Fund budgets are based on the State's Foundation Program which is designed to equalize taxing efforts throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated revenues and expenditures. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers, if applicable.

Preliminary budgets must be adopted by August 15 and the final budget on the fourth Monday in August. Budget appropriations not expended or obligated (as described above) lapse at the end of the fiscal year.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General, Special Revenue, and Capital Projects Funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" established by the Office of Public Instruction in the Montana School Accounting Manual and as defined in the Administrative Rules of Montana (ARM 10.10.101). The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.

2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

Notes to Required Supplemental Information – cont.

Encumbrances – cont.

As of June 30, 2014, the District incurred $0 encumbrances.

Reporting

The Statement of Revenues, Expenditures, and Changes in Fund Balances, on page 8, combines the General and Flexibility Funds.

	General	HS Flexibility	EL Flexibility	Total
Fund balance, beginning	$ 177,619	$ 110,441	$ 66,114	$ 354,174
Revenues	1,354,996	366,113	372,282	2,093,391
Expenditures/transfers	1,343,873	-	-	1,343,873
Inventory change	(762)	-	-	(762)
Fund balance, ending	$ 187,980	$ 476,554	$ 438,396	$ 1,102,930

SUPPLEMENTAL SCHEDULES

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA

SCHEDULE OF SCHOOL DISTRICT ENROLLMENT
YEAR ENDED JUNE 30, 2014

FALL ENROLLMENT 10\13	**Audit Per District Records**	**Enrollment Report**
Elementary Schools		
Kindergarten	9	9
Grades One - Three	28	28
Grades Four - Six	27	27
Grades Seven - Eight	16	16
Total	80	80
High School		
Grades Nine - Twelve	34	34

WINTER ENROLLMENT 12/13	**Audit Per District Records**	**Enrollment Report**
Elementary Schools		
Kindergarten	9	9
Grades One - Three	28	28
Grades Four - Six	26	26
Grades Seven - Eight	16	16
Total	79	79
High School		
Grades Nine - Twelve	34	34

SPRING ENROLLMENT 2\14	**Audit Per District Records**	**Enrollment Report**
Elementary Schools		
Kindergarten	8	8
Grades One - Three	27	27
Grades Four - Six	26	26
Grades Seven - Eight	18	18
Total	79	79
High School		
Grades Nine - Twelve	34	34

EKALAKA PUBLIC SCHOOLS
Schedule of Changes in Assets and Liabilities
Student Activities Fund
Year Ended June 30, 2014

	July 1, 2013	Additions	Deductions	June 30, 2014
EGS-STUDENT SUPPLIES	$ 220	$ 703	$ 723	$ 200
EGS-K-6 MUSIC	51	-	-	51
EGS-JH MUSIC	30	-	-	30
C-CLUB	3,488	1,881	581	4,788
ANNUAL	3,793	4,214	3,198	4,809
ATHLETICS	6,140	24,549	30,152	537
CLASS OF 2013	922	-	377	545
CLASS OF 2014	434	1,084	1,007	511
CLASS OF 2015	2,909	2,576	3,959	1,526
CLASS OF 2016	2,283	1,000	-	3,283
CLASS OF 2017	703	700	-	1,403
CLASS OF 2018	240	300	-	540
CLASS OF 2019	-	500	-	500
ENTREPRENEURSHIP	1,865	5,518	5,767	1,616
CONCESSIONS	4,072	14,561	16,117	2,516
CLOSE-UP	8,479	22,991	29,363	2,107
FCCLA	3,816	16,759	13,606	6,969
FFA	4,780	24,075	23,180	5,675
MUSIC	50	2,579	2,291	338
SCIENCE CLUB	71	3,044	3,034	81
SPEECH	23	107	-	130
STUDENT COUNCIL	1,664	15,703	11,414	5,953
Total Student Activities	$ 46,033	$ 142,844	$ 144,769	$ 44,108

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgeted Special Revenue Funds
Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 168,726	$ 168,726	$ 168,499	$ (227)
Earnings on investments	7	7	1,399	1,392
Other local sources	246,931	246,931	270,273	23,342
State revenue	889,262	889,262	774,075	(115,187)
Total revenues	1,304,926	1,304,926	1,214,246	(90,680)
Expenditures:				
Current:				
Instructional services	1,872,121	1,872,121	74,012	1,798,109
Supporting services:				
Students	4,281	4,281	4,371	(90)
Instructional staff	60,540	60,540	51,702	8,838
District administration	43,045	43,045	30,063	12,982
Business services	22,051	22,051	22,289	(238)
Operation and maintenance of facilities	13,985	13,985	14,890	(905)
Transportation	216,719	216,719	199,416	17,303
Adult education	32,800	32,800	5,276	27,524
Special education	12,690	12,690	6,226	6,464
Vocational programs	15,094	15,094	16,992	(1,898)
Extracurricular programs	8,652	8,652	5,826	2,826
Food services	6,332	6,332	4,588	1,744
Capital outlay	114,614	114,614	52,270	62,344
Total expenditures	2,422,924	2,422,924	487,921	1,935,003
Excess of revenues over (under) expenditures	(1,117,998)	(1,117,998)	726,325	1,844,323
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	(15,000)	(15,000)
Total other financing sources(uses)	-	-	(15,000)	(15,000)
Net change in fund balances	$ (1,117,998)	$ (1,117,998)	711,325	$ 1,829,323
Fund balances - beginning - Budget and GAAP basis			318,948	
Fund balances - ending - Budget and GAAP basis			$ 1,030,273	

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgeted Capital Project Funds
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ -	$ -	$ 9	$ 9
Earnings on investments	200	200	516	316
State revenue	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	200	200	525	325
Expenditures:				
Operations and maintenance	113,423	113,423	41,849	71,574
Capital outlay	76,288	76,288	12,240	64,048
Total expenditures	189,711	189,711	54,089	135,622
Excess of revenues over (under) expenditures	(189,511)	(189,511)	(53,564)	135,947
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ (189,511)	$ (189,511)	(53,564)	$ 135,947
Fund balances - beginning - Budget and GAAP basis			189,511	
Fund balances - ending - Budget and GAAP basis			$ 135,947	

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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
Ekalaka Public Schools
Ekalaka, Montana 59324

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 Ekalaka Public Schools, Ekalaka, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Ekalaka Public Schools, Ekalaka, Montana's basic financial statements, and have issued our report thereon dated December 2, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ekalaka Public Schools, Ekalaka, 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 Ekalaka Public Schools, Ekalaka, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Ekalaka Public Schools, Ekalaka, Montana'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 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 Ekalaka Public Schools, Ekalaka, Montana's financial statements are free from 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.

James J. Wosepka, PC

By James J. Wosepka CPA

Baker, Montana
December 2, 2014