

**WIBAUX PUBLIC SCHOOL
SCHOOL DISTRICT NUMBER 6
WIBAUX COUNTY
WIBAUX, MONTANA**

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

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

**WIBAUX PUBLIC SCHOOL
SCHOOL DISTRICT NO. 6
WIBAUX, MONTANA**

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Wibaux K-12 Schools

Management's Discussion and Analysis

This section of the Wibaux School District Financial Statements present the management's discussion and analysis of the district's financial performance during the fiscal year (FY) ending June 30, 2014. This narrative overview and analysis of the financial activities of the Wibaux District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- ⚡ *The Wibaux School District assets exceeded the district liabilities at the close of FY 2014 by \$4,381,322.*
- ⚡ *The overall revenues from all sources for the Wibaux School District FY 2014 were \$3,724,156 which represented a 54.4% increase from FY 2013. Nearly 65% of the increase in revenue for FY 2014 was the result of additional Oil/Gas Tax revenue.*
- ⚡ *The district purchased approximately \$300,000 of additional land for school purposes in FY 2014.*
- ⚡ *Revenue from the Oil/Gas tax increased 89.7% in FY 2014 and was 48.3% (39.3% in FY 2013) of the overall revenue for the district.*
- ⚡ *The district revenue for FY 2014 was 31.3% (41.3% in FY 2013) from all state/federal sources and 14.6% (11% in FY 2013) from local property taxes.*
- ⚡ *The Wibaux School District expenses for FY 2014 were \$2,836,469 which represents an 18.8% increase from FY 2013.*
- ⚡ *The District revenues exceeded expenses in FY 2014 by \$887,687.*
- ⚡ *The Wibaux School District total net position increased by 25.4% at the close of FY 2014 mainly due to more revenue than expenses.*
- ⚡ *Total expenses for the district separated by category showed that 42% was spent for instruction, 12% for operation and maintenance, and 8% was used for district administration.*
- ⚡ *The district had total governmental fund balances of \$2,856,224 at the end of FY 2014.*
- ⚡ *Expenses broken down by category showed that instruction expenses were up 29.9%, operation and maintenance costs were down 16.7%, transportation costs were up 33.1%, extra-curricular costs were up 28.5%, and special education costs were up 53.5%.*
- ⚡ *The Wibaux School District financial condition is excellent and showed significant improvement as noted by the 25.4% increase in net position.*

Overview of the Wibaux School District Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Wibaux K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also, contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Wibaux School District finances in a manner similar to a private-sector business. This broad overview will be accomplished using a *statement of net position* and a *statement of activities*.

The *statement of net position* presents information on all of the assets and liabilities of the Wibaux School District, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Wibaux School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Wibaux School District principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government fall into the governmental activity category including instruction, support services, general school and business administrative services, operation and maintenance, student transportation, community services, and other expenditures. The Wibaux District does not operate any business-type activities.

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The Wibaux District, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Wibaux District can be divided into three categories: governmental, proprietary, and fiduciary funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the Wibaux School District. Student activity accounts and scholarship trusts are the most common fiduciary funds in school districts. The Wibaux School District has fiduciary funds in their Private Purpose Trust Fund and Student Activity Account Funds.

The *notes to the financial statements* provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the official student enrollment and federal grant audit reports.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the Wibaux School District, assets exceeded liabilities by \$4,381,322 at the close of FY 2014. The net position at the end of FY 2014 showed a 25.4% increase from the close of FY 2013. The increase in net position was due to an increase in the current assets (24%) of

the district and a capital assets increase (26.1%). A large part of the increase in current assets was from an increase in cash and cash equivalents in the district. The capital asset increase was largely caused by the district purchase of approximately \$300,000 worth of land for school purposes in FY 2014.

Net Position of the Wibaux School District

	Governmental Activities		Change	Percent Change
	FY 2013	FY 2014		
Current Assets	\$2,311,668	\$2,865,585	\$553,917	24.0%
Capital Assets, net	\$1,287,234	\$1,623,303	\$336,069	26.1%
Total Assets	\$3,598,902	\$4,488,888	\$889,986	24.7%
Long Term Liabilities	\$105,268	\$107,565	\$2,297	2.2%
Total Liabilities	\$105,268	\$107,565	\$2,297	2.2%
Net Position:				
Net Investment in Capital Assets	\$1,287,234	\$1,623,303	\$336,069	26.1%
Restricted	\$1,747,172	\$2,170,805	\$423,633	24.2%
Unrestricted	\$459,228	\$587,214	\$127,986	27.9%
Total Net Position	\$3,493,634	\$4,381,322	\$887,688	25.4%

A portion of the net position of the Wibaux District (37.1% in FY 2014 and 36.8% in FY 2013) reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Wibaux District have no related debt. The district capital assets increased 26.1% during the past budget year which was mostly due to the purchase of \$300,000 worth of additional land for school purposes. The Wibaux School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending.

A portion of the net position of the Wibaux School District (49.5% in FY 2014 and 50% in FY 2013) represent resources that are subject to external restrictions on how they may be used. The *restricted net position* of the district are found in the transportation, capital projects, food service, adult education, technology, and other educational purposes. The restricted assets increased by 24.2% from FY 2013 to FY 2014. The remaining balance of *unrestricted net position* (13.4% in FY 2014 and 13.1% in FY 2013) may be used to meet the ongoing obligations of the school district to citizens and creditors. The unrestricted funds increased by 27.9% over the last year. At the end of FY 2014, Wibaux School District was able to report a positive balance of net position for both the government as a whole, as well as for governmental activities. The Wibaux School District net position increased \$887,688 during FY 2014.

Governmental activities

The total net position derived from governmental activities for the Wibaux district at the beginning of FY 2014 was \$3,493,634. The net position for the Wibaux School District at the end of FY 2014 were \$4,381,322 which was an increase of \$887,688. The financial position of the Wibaux District is

excellent and showed significant improvement as noted by the overall increase in net position along with an increase in governmental funds.

District Wide - Statement of Activities

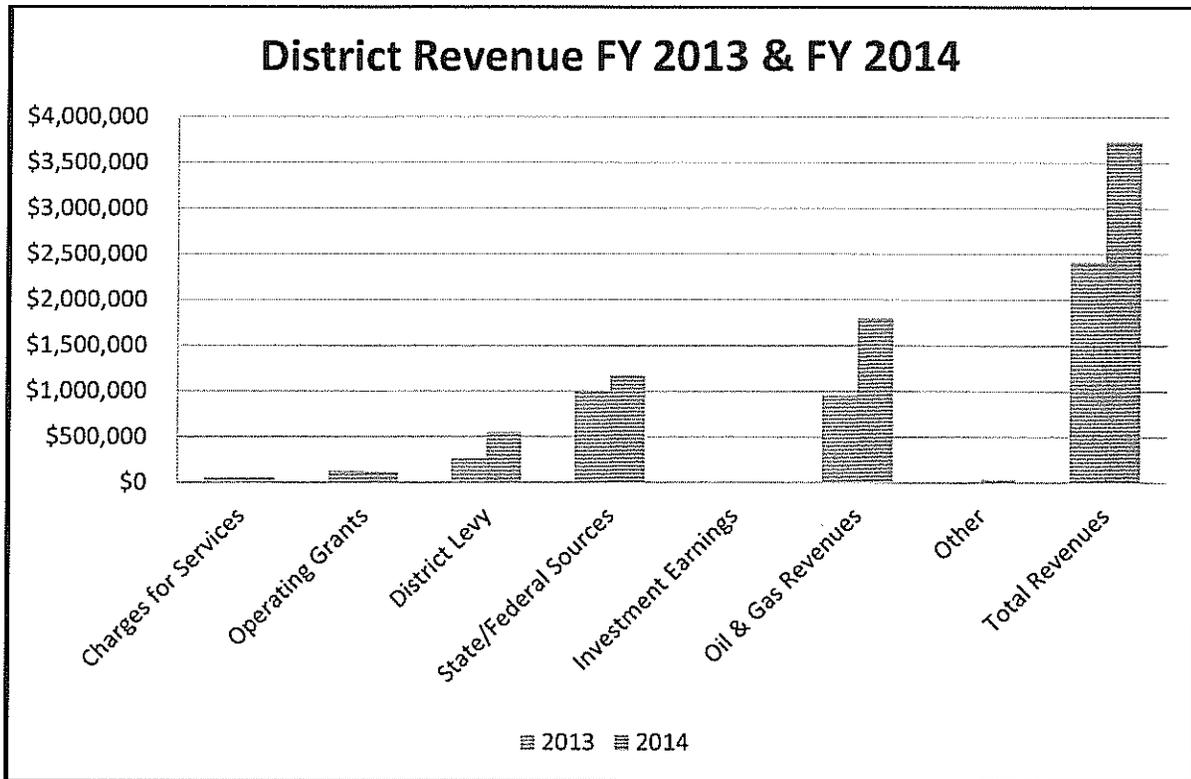
	Governmental Activities		Change	Percent Change
Revenues	FY 2013	FY 2014		
Program Revenues:				
Charges for Services	\$53,862	\$48,246	(\$5,616)	-10.4%
Operating Grants	\$128,725	\$116,474	(\$12,251)	-9.5%
General Revenues:				
District Levy	\$266,693	\$547,309	\$280,616	105.2%
State/Federal Sources	\$996,873	\$1,168,034	\$171,161	17.2%
Investment Earnings	\$8,808	\$5,830	(\$2,978)	-33.8%
Oil & Gas Revenue	\$949,840	\$1,802,012	\$852,172	89.7%
Other	\$6,920	\$36,251	\$29,331	423.9%
Total Revenues	\$2,411,721	\$3,724,156	\$1,312,435	54.4%
Expenses				
Instruction	\$921,245	\$1,196,543	\$275,298	29.9%
Support	\$94,389	\$161,617	\$67,228	71.2%
District Administration	\$191,318	\$209,650	\$18,332	9.6%
School Administration	\$64,836	\$78,724	\$13,888	21.4%
Operation & Maintenance	\$409,432	\$340,927	(\$68,505)	-16.7%
Transportation	\$123,333	\$164,207	\$40,874	33.1%
Extracurricular	\$94,850	\$121,849	\$26,999	28.5%
Special Education	\$97,045	\$149,001	\$51,956	53.5%
School Food	\$102,518	\$115,729	\$13,211	12.9%
Business Services	\$66,798	\$61,589	(\$5,209)	-7.8%
Adult Education	\$12,621	\$9,691	(\$2,930)	-23.2%
Vocational Education	\$121,459	\$138,339	\$16,880	13.9%
Other	\$87,702	\$88,603	\$901	1.0%
Total Expenses	\$2,387,546	\$2,836,469	\$448,923	18.8%
Increase in Net Position	\$24,175	\$887,687	\$863,512	3571.9%
Net Position Beginning	\$3,469,459	\$3,493,635	\$24,176	0.7%
Net Position Ending	\$3,493,635	\$4,381,322	\$887,687	25.4%

Changes in district wide activities from FY 2013 to FY 2014 include:

- ✦ Total Revenues for the district were up 54.4% or \$1,312,435.
- ✦ State/Federal sources of revenue to the district were up 17.2% or about \$171,161.
- ✦ Oil/gas revenue was up 89.7% or \$852,172.
- ✦ Total expenses for the district were up 18.8% or \$448,923.
- ✦ Student transportation costs were up 33.1% or \$40,874.

- ⌄ Operation and Maintenance costs were down 16.7% or \$68,505.
- ⌄ Food service costs were up 12.9% or \$13,211.
- ⌄ Revenue from property taxes increased by 105% or \$280,616.
- ⌄ Revenue from charges for services decreased 10.4% or \$5,616.
- ⌄ Operating Grants decreased 9.5% or \$12,251.
- ⌄ District instruction expenses were up 29.9% or \$275,298.
- ⌄ District Administration expenses were up 9.6% or \$18,332.
- ⌄ School Administration expenses were up 21.4% or \$13,888.
- ⌄ Business services expenses were down 7.8% or \$5,209.
- ⌄ Extracurricular expenses were up 28.5% or about \$26,999.
- ⌄ Special education expenses were up 53.5% or \$51,956.
- ⌄ Vocational expenses were up 13.9% or \$16,880.

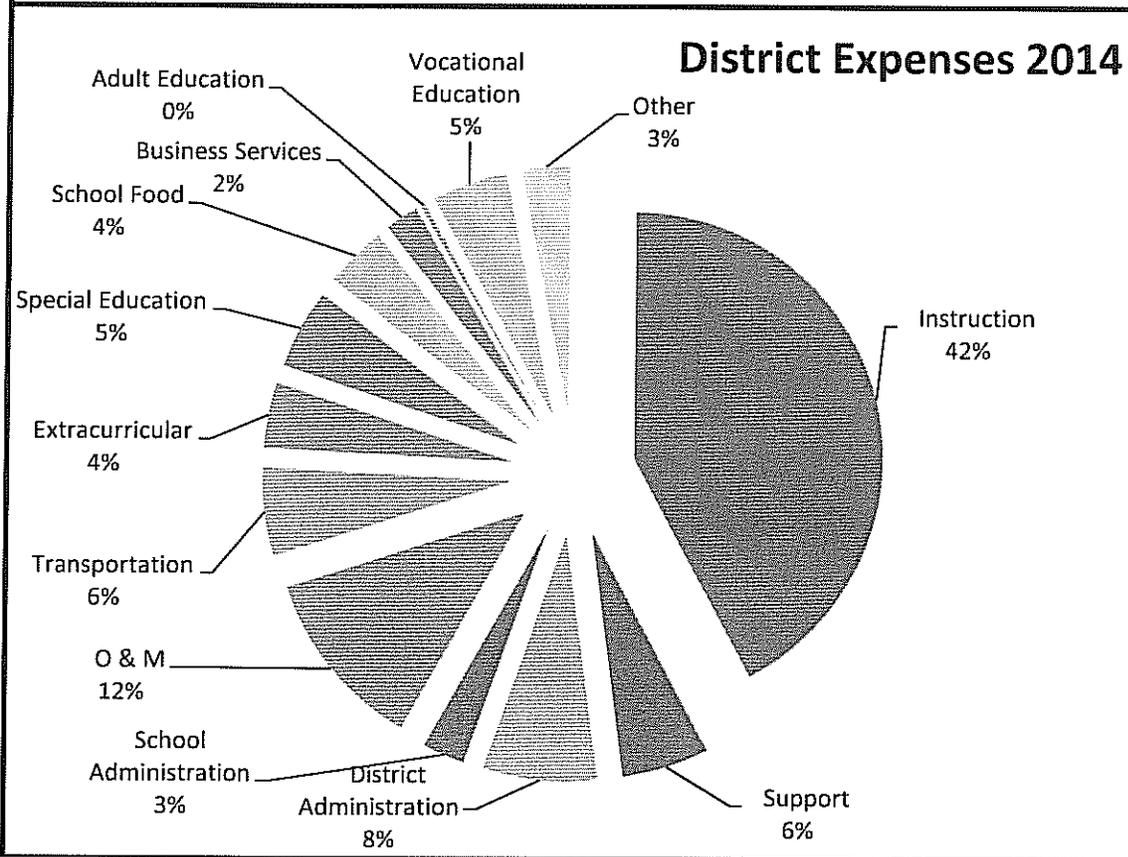
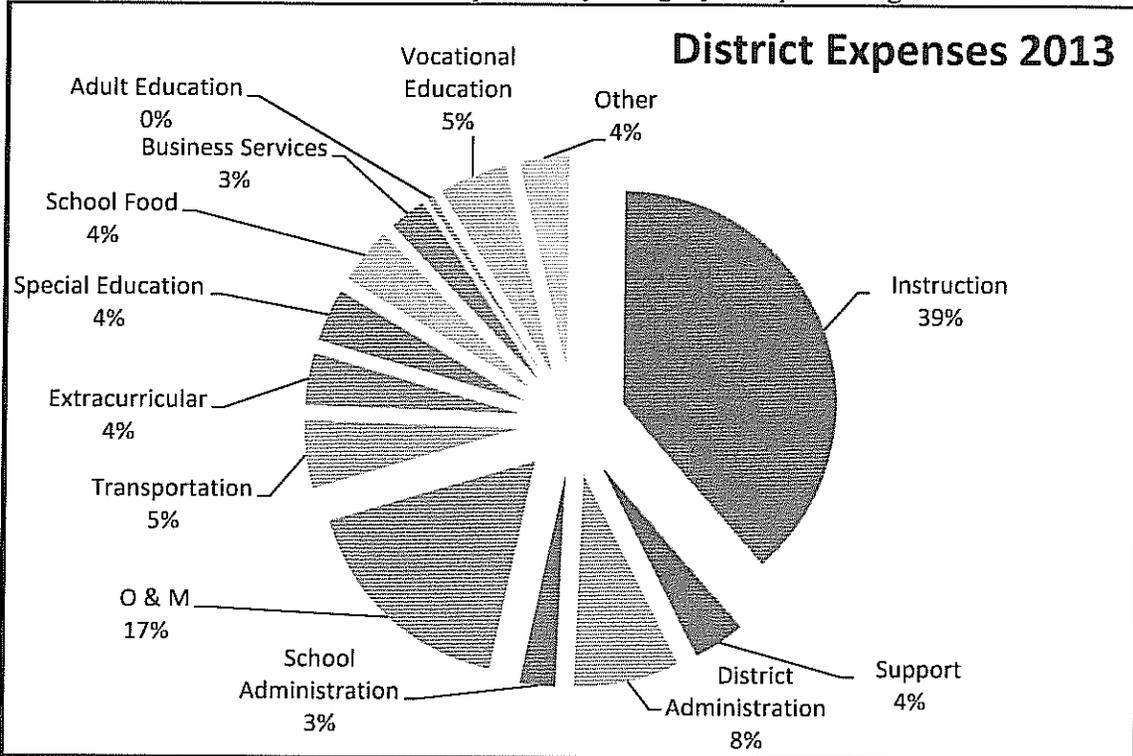
Revenue by Source – Governmental Activities



The bar graph shows that Oil & Gas Tax revenue is the largest source for the district followed by State/Federal revenue sources in FY 2014. Oil/Gas revenue increased in FY 2014 along with State/Federal revenue, and property tax revenue. The district levy remained the third highest source of revenue in the district. Total revenues increased in the district for FY 2014. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.

District Expenses

The following charts present the district expenses by category and percentage for FY 2013 & 2014.



The pie graphs for District expenses show the allocation of resources for specific purposes in the Wibaux Schools during FY 2013 & FY 2014. The graphs illustrates the major expenditure areas, with instruction costs accounting for 39% & 42% of the district expenses, operation & maintenance accounting for 17% & 12%, district administration accounting for 8% & 8%, and transportation accounting for 5% and 6%. During FY 2014, instruction expenses increased by 3% of the total while operation & maintenance decreased 5%. Support services increased 2% while transportation and special education increased 1%.

Financial Analysis of the Government's Funds

Fund accounting is mandated by Montana State law and is used by the Wibaux School District to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the *governmental funds* of the Wibaux School District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. At the end of FY 2013, the governmental funds of the school district reported a combined ending fund balance of \$2,299,188 and at the end of FY 2014 the fund balance was \$2,856,224 which represents a 23.2% increase. Approximately 20.3% (20.1% in FY 2013) of this total amount is unassigned and available for spending at the discretion of the Board of Trustees.

The general fund is the main operating fund of the Wibaux School District. At the end of FY 2013, the General Fund had a balance of \$559,159 and at the close of FY 2014 the balance was \$682,163. The General Fund balance increased 19.9% or \$109,344 from the end of FY 2013 to the end of FY 2014. The total fund balances for the district increased by \$532,783 from FY 2013 to FY 2014.

Governmental Fund Financial Statements

The governmental funds balance sheet is comprised of the major funds and all other funds. The General Fund, Bus Depreciation Fund, Miscellaneous Fund, and Building Reserve Fund were the major funds in FY 2014. The Other Funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2013 & FY 2014 demonstrates that the Wibaux School District is in excellent financial condition. The District has considerable amounts of cash and investments in the major funds which make up 89% of the total fund balances. The District has a minimal amount of liability attached to these same funds. The Wibaux District fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. State aid (81.5% in FY 2014 & 85.3% in FY 2013 of the total revenue) and property taxes (17.8% in FY 2014 & 13.9% in FY 2013 of the total revenue) are the major revenue sources for the district general fund category. The major expenditure in the general fund is instruction. Instruction expenditures make up 44.5% (45.5% in FY 2013) of the general fund total costs for FY 2014, expenditures for operation and maintenance along with capital outlay rank 2 and 3 respectively for general fund expenditures.

General Fund Highlights

During FY 2014 the Wibaux School District General Fund received \$11,327 more revenue than was anticipated in the original and final budget. The increase in revenue was mainly due to more federal revenue and local revenue than was expected in the original and final budget. The district did file a budget amendment to the General Fund of \$14,588 which brought the final budget to \$1,575,799. The expenditure side of the General Fund experienced only a \$3,996 variance from the original and final budgets. The actual expenditures nearly matched the actual revenue with the budget amendment included (the difference was only \$4). While the overall budget of expenditures nearly matched the revenue, there were several line items that experienced a variance from the budgeted amounts. The expenditure areas with the largest difference included: instruction \$98,941 less than budgeted, support services for students were \$23,120 more than expected, and district administration was \$16,925 more than expected.

Capital Asset and Debt Administration

Capital assets

The investment by the Wibaux School District in capital assets for governmental activities as of June 30, 2014, was \$1,623,303. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets for the Wibaux District showed a 26.1% or \$336,069 increase for FY 2014 when compared to FY 2013 after depreciation was subtracted. The capital asset increase was mostly due to the district purchase of additional land for school purposes which accounted for approximately \$300,000 of the increase in capital assets.

Capital Assets of the Wibaux School District

Capital Assets	Governmental Activities		
	Balance June 30, 2012	Balance June 30, 2013	Percent Change
Land	\$42,601	\$343,245	87.6%
Buildings and Improvements	\$2,574,526	\$2,574,526	0.0%
Furniture & Equipment	\$802,597	\$910,092	11.8%
Total	\$3,419,724	\$3,827,863	10.7%
Total Accumulated Depreciation	(\$2,132,490)	(\$2,204,560)	3.3%
Capital Assets net of depreciation	\$1,287,234	\$1,623,303	26.1%

Long-term debt

At the end of FY 2014, the Wibaux School District had no bonded debt. The district did have long-term liabilities of \$107,585 for compensated absences of employees.

Financial Management Policy

The district adopted a financial management policy on August 16, 2011 which incorporates the GASB Statement 54 into the district accounting practices. The policy provides a framework for the management of all excess funds as well as use of excess funds at year end.

Economic Factors for FY 2013 & FY 2014

- ✦ The population of Wibaux County increased 10.2% or about 1044 residents from 2010 to 2013. This compares to the Montana average of a 2.6% increase.
- ✦ Residents of Wibaux County under the age of 18 made up 20.4% of the population in 2013 compared to Montana at 22.1%.
- ✦ The unemployment rate for Wibaux County was 2.6% in June 2014. This compares to the Montana rate of 4.5% in June of 2014.
- ✦ The poverty rate for Wibaux County was 13.2% for 2008-2012, when Montana was at 14.8%.
- ✦ The median household income in Wibaux County was \$45,625 compared to Montana at \$45,456 in 2012.
- ✦ District student enrollment increased 3 students or 1.8% from FY 2013 to FY 2014.
- ✦ State funding sources for Montana schools increased for FY 2013 & FY 2014.

All of these and other factors were considered in preparing the FY 2013 & FY 2014 budgets for the Wibaux School district.

District Overview

The overall financial position of the district is excellent and improving. The net position in the district improved 25.4% or \$887,688 in FY 2014. The district governmental fund balances showed an increase of 23.2% during FY 2014 along with the overall 25.4% increase in net position for the district. The district total fund balances increased by \$532,783 to \$2,856,224 in FY 2014. The increase in fund balances and net position was primarily the result of more revenue than expenditures. During FY 2014 total revenue was up 54.4% while expenditures were only up 18.8%. The district expects the current conditions affecting the financial resources of the district to continue in the near future. The conditions currently affecting the district which are expected to continue in the near future include oil and gas activity in the area, increasing enrollment of students, and agricultural commodities.

Requests for Information

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of Wibaux School District for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the Wibaux administration and business office located in Wibaux, Montana.

**WIBAUX PUBLIC SCHOOL
SCHOOL DISTRICT NO. 6
WIBAUX COUNTY, MONTANA**

ORGANIZATION

**Fiscal Year
Ended June 30, 2014**

BOARD OF TRUSTEES

Mary Adele Stenson	Chairman
Brad Braden	Trustee
Chad Peplinski	Trustee
Naomi Austby-Grove	Trustee
Vacant	Trustee

OFFICIALS

Terry Quintus	District Superintendent
Joette Nielsen	District Clerk
Patricia Zinda	County Superintendent
Ronald Efta	County Attorney



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James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
School District No. 6
Wibaux, Montana 59353

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 School District No. 6, Wibaux, 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 School District No. 6, Wibaux, 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 - ix 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 School District No. 6, Wibaux, Montana's basic financial statements. The other supplemental information on pages 29 – 34 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information on pages 29 – 34 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 other supplemental information on pages 29 – 34 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 November 17, 2014, on our consideration of School District No. 6, Wibaux, 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 School District No. 6, Wibaux, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Baker, Montana
November 17, 2014

**WIBAUX PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2014**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,748,396
Taxes/assessments receivable	9,361
Due from other governments	36,976
Inventories	70,852
Capital assets not being depreciated	
Land	343,245
Capital assets being depreciated	1,280,058
Total Assets	4,488,888
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	5,000
Due in more than one year	102,565
Total Liabilities	107,565
 NET POSITION	
Investment in capital assets	1,623,303
Unrestricted net assets	587,214
Restricted for:	
Capital Projects	859,791
Transportation	63,771
Food Service	17,602
Adult Education	72,809
Technology	44,911
Other Educational Purposes	1,111,921
Total Net Position	\$ 4,381,322

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Primary government:				
Instructional services	\$ 1,196,543	\$ 9,128	\$ 11,098	\$ (1,176,317)
Supporting services:				
Students	70,074	-	10,000	(60,074)
Instructional staff	91,543	-	-	(91,543)
District administration	209,650	-	-	(209,650)
School administration	78,724	-	-	(78,724)
Business	61,589	-	-	(61,589)
Operation & maintenance of facility	340,927	-	-	(340,927)
Transportation	164,207	-	31,090	(133,117)
Special education	149,001	-	34,110	(114,891)
Adult education	9,691	100	-	(9,591)
Vocational education	138,339	-	5,432	(132,907)
Extracurricular programs	121,849	-	-	(121,849)
School lunch services	115,729	39,018	24,744	(51,967)
Unallocated depreciation	88,603	-	-	(88,603)
Total governmental activities	\$ 2,836,469	\$ 48,246	\$ 116,474	(2,671,749)
General revenues:				
Property taxes				547,309
Unrestricted Federal/State shared revenues				345,049
Oil and gas revenues				1,802,012
Unrestricted Federal/State grant revenues				822,985
Unrestricted investment earnings				5,830
Miscellaneous				23,040
Gain on sale of capital assets				13,211
Total general revenues and transfers				3,559,436
Change in net position				887,687
Total net position - July 1, 2013				3,493,635
Total net position - June 30, 2014				\$ 4,381,322

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

**WIBAUX PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

Description	Major Funds					Total Governmental Funds
	General	Bus Depreciation	Miscellaneous	Building Reserve	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 611,311	\$ 322,450	\$ 646,994	\$ 859,790	\$ 307,851	\$ 2,748,396
Tax/assessment receivable	7,265	732	-	1	1,363	9,361
Due from other governments	-	-	31,807	-	5,169	36,976
Inventories	70,852	-	-	-	-	70,852
Total Assets	689,428	323,182	678,801	859,791	314,383	2,865,585
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	7,265	732	-	1	1,363	9,361
FUND BALANCES						
Nonspendable	70,852	-	-	-	-	70,852
Restricted	-	322,450	678,801	859,790	307,668	2,168,709
Assigned	30,326	-	-	-	5,352	35,678
Unassigned	580,985	-	-	-	-	580,985
Total fund balances	682,163	322,450	678,801	859,790	313,020	2,856,224
Total deferred inflows of resources and fund balances	\$ 689,428	\$ 323,182	\$ 678,801	\$ 859,791	\$ 314,383	

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.

Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

1,623,303

9,361

(107,566)

Total Net Position of Governmental Funds

\$ 4,381,322

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

Description	General	Major Fund			Other Governmental Funds	Total Governmental Funds
		Bus Depreciation	Miscellaneous	Building Reserve		
REVENUES						
Property taxes	\$ 404,509	\$ 36,794	\$ -	\$ -	\$ 109,125	\$ 550,428
Earnings on investments	1,405	795	1,875	821	934	5,830
School lunch sales	-	-	-	-	39,018	39,018
Other local sources	13,283	-	22,699	-	251,092	287,074
State revenue	1,848,271	58,914	3,290	767,262	87,003	2,764,740
Federal revenue	-	-	42,494	-	24,480	66,974
Total Revenues	2,267,468	96,503	70,358	768,083	511,652	3,714,064
EXPENDITURES						
Current:						
Instructional services	963,232	-	7,562	-	246,069	1,216,863
Supporting services						
Students	61,949	-	-	-	8,125	70,074
Instructional staff	72,706	-	-	-	8,837	91,543
District administration	135,950	-	10,000	-	73,700	209,650
School administration	70,760	-	-	-	7,964	78,724
Business services	47,853	-	-	-	13,736	61,589
Operation & maintenance of facilities	268,399	-	-	60,564	23,420	352,383
Transportation	3,123	-	59	-	103,481	106,663
Special education	97,886	-	34,271	-	16,844	148,001
Adult education	-	-	-	-	9,691	9,691
Vocational programs	120,246	-	5,086	-	13,007	138,339
Extracurricular programs	111,931	-	-	-	9,918	121,849
Food services	44,785	-	-	-	70,944	115,729
Capital outlay	165,515	25,000	36,775	214,756	30,348	472,394
Total Expenditures	2,164,335	25,000	93,753	275,320	636,084	3,194,492
Excess of revenues (under) expenditures	103,133	71,503	(23,395)	492,763	(124,432)	519,572
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	6,211	7,000	-	-	-	13,211
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	6,211	7,000	-	-	-	13,211
Net change in fund balances	109,344	78,503	(23,395)	492,763	(124,432)	532,783
Fund balances - July 1, 2013	548,567	243,947	702,196	367,027	437,452	2,299,189
Change in inventory	24,252	-	-	-	-	24,252
Fund balances - June 30, 2014	\$ 682,163	\$ 322,450	\$ 678,801	\$ 859,790	\$ 313,020	\$ 2,856,224

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

**WIBAUX 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)	<u>\$ 532,783</u>
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	484,791
Depreciation expense	<u>(148,723)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	13,211
Proceeds from the sale of capital assets	<u>(13,211)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>(3,119)</u>
Adjust for Change in Inventory	<u>24,252</u>
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	<u>(2,297)</u>
Change in Net Position in Governmental Activities	<u><u>\$ 887,687</u></u>

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

Description	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 83,837	\$ 138,099
Total Assets	<u>83,837</u>	<u>138,099</u>
LIABILITIES		
Warrants payable	-	138,099
Total Liabilities	<u>-</u>	<u>\$ 138,099</u>
NET POSITION		
Held for student activities	57,738	
Held for student scholarships	26,099	
Total Net Position	<u>\$ 83,837</u>	

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

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

Description	Private Purpose Trust Funds
ADDITIONS:	
Extra-curricular revenue	\$ 110,393
Contributions/Donations revenue	2,350
Investment earnings	73
Total Additions	112,816
 DEDUCTIONS:	
Extra-curricular activities	118,818
Scholarships paid	4,564
Total Deductions	123,382
 Change in net position	 (10,566)
Total net position - July 1, 2013	94,403
Total net position - June 30, 2014	\$ 83,837

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

**WIBAUX PUBLIC SCHOOL
SCHOOL DISTRICT NO. 6
WIBAUX COUNTY, MONTANA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. Summary of Significant Accounting Principles

The financial statements of the Wibaux Public School, School District No. 6, (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 the District's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (oversight responsibility, financial accountability, services, and special relationships), 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.

Basis of Presentation and Basis of Accounting

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

1. **Summary of Significant Accounting Policies - cont.**

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 and endowment funds). 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, revenue is 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 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 government funds also be reported as major funds. Accordingly, the District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Miscellaneous Programs Fund - The purpose of accounting for local, state, or federal grants, and reimbursements. Donations and expendable trusts for scholarships or other purposes that support District programs are deposited in this fund. The Miscellaneous Fund is being combined with the General Fund in the basic financial statements.

1. **Summary of Significant Accounting Policies - cont.**
Major Funds - cont.

Bus Depreciation Reserve Fund – Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by the School District. The fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the Bus Depreciation Fund may not be used to purchase additional athletics/activities buses. Districts wishing to purchase these buses can do so from their General Fund, Extracurricular Fund, or Impact Aid Fund, if applicable.

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.

Cash and Investments

Except for the Extracurricular Fund, all cash is held by the County Treasurer. Investments consist of securities issued by the federal government or one of its agencies.

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.

The District has self invested cash. These investments are carried at cost, which is not materially different than fair market value.

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 \$138,099.

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.

1. **Summary of Significant Accounting Policies - cont.**
Capital Assets – cont.

Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	7 - 50 years
Equipment	5 - 20 years

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are maintained and are stated at cost, first-in, first-out. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District received donated commodities during the year.

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 nonspendable. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, 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 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 balance of the General Fund that is not constrained for any particular purpose.

1. **Summary of Significant Accounting Policies - cont.**
Fund Balance Reporting – cont.

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation	Misc.	Building Reserve		
Nonspendable:						
Inventories	\$ 70,852	\$ -	\$ -	\$ -	\$ -	\$ 70,852
Restricted:						
Technology	-	-	-	-	44,487	44,487
Transportation	-	-	-	-	62,967	62,967
Bus Depreciation	-	322,450	-	-	-	322,450
Food Service	-	-	-	-	17,602	17,602
Retirement	-	-	-	-	63,270	63,270
Adult Education	-	-	-	-	72,674	72,674
Traffic Education	-	-	-	-	2,525	2,525
Compensated Absences	-	-	-	-	10,553	10,553
Lease Rental	-	-	-	-	8,684	8,684
Tuition	-	-	-	-	24,906	24,906
Instruction	-	-	678,801	-	-	678,801
Capital Projects	-	-	-	859,790	-	859,790
Assigned:						
School Operations	30,326	-	-	-	-	30,326
Capital Projects	-	-	-	-	5,352	5,352
Unassigned	580,985	-	-	-	-	580,985
Total Fund Balances	\$ <u>682,163</u>	\$ <u>322,450</u>	\$ <u>678,801</u>	\$ <u>859,790</u>	\$ <u>313,020</u>	\$ <u>2,856,224</u>

The General Fund consists of the following balances:

Nonspendable:		
General Fund	\$	70,852
Assigned:		
General Fund	\$	28,570
Flexibility Fund		<u>1,756</u>
	\$	30,326
Unassigned:		
General Fund	\$	158,852
Flexibility Fund		<u>422,133</u>
	\$	<u>580,985</u>
	\$	<u><u>682,163</u></u>

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

1. **Summary of Significant Accounting Policies - cont.**

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.

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 as general long-term debt. Expenditures for these liabilities are recognized when paid.

Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method, which is other than GAAP, is used for these accounts. Management does not believe that the accounting method being used results in any material differences.

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.

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	<u>\$ (107,566)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (107,566)</u>

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 a 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	\$ 484,791
Depreciation expense	<u>(148,723)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 336,068</u>

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	<u>\$ (2,297)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (2,297)</u>

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.

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

3. **Property Taxes – cont.**

become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

The District is permitted by the 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 \$57,738. 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 held in the District's name are 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

4. **Cash and Investments – cont.**
Custodial Credit Risk – cont.

coverage from the other funds under the control of the Wibaux County Treasurer. The Wibaux 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. The District's investments are in U.S. Government Securities that are held to maturity.

5. **Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 42,601	\$ 300,644	\$ -	\$ 343,245
Total capital assets, not being depreciated	42,601	300,644	-	343,245
Capital assets, being depreciated:				
Buildings and improvements	2,574,526	-	-	2,574,526
Furniture and equipment	802,597	184,148	76,653	910,092
Total capital assets, being depreciated	3,377,123	184,148	76,653	3,484,618
Accumulated depreciation for:				
Buildings and improvements	(1,673,876)	(69,627)	-	(1,743,503)
Furniture and equipment	(458,614)	(79,096)	76,653	(461,057)
Total accumulated depreciation	(2,132,490)	(148,723)	76,653	(2,204,560)
Total capital assets, being depreciated, net	1,244,633			1,280,058
Governmental activities capital assets, net	\$ 1,287,234			\$ 1,623,303

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

Instruction	\$ 2,576
Transportation	57,544
Unallocated	88,603
	<u>\$ 148,723</u>

6. **Long-term Debt**

The following is a summary of long-term debt transactions of the District for fiscal year ended June 30, 2014.

	Balance July 01, 2013	Earned	Used	Balance June 30, 2014
Compensated Absences Payable	\$ 105,268	\$ 2,297	\$ -	\$ 107,565

The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Liability for Compensated Absences

The amount of compensated absences payable for fiscal year ended June 30, 2014 is \$107,565.

Noncertified employees accrue 12 days sick leave each year without limit and may elect to receive 1/4 of the sick leave accumulated since July 1, 1971 in cash upon termination.

Noncertified employees accrue 15 to 24 days of vacation leave each year, up to two times the maximum number of days earned annually. Employees are allowed to receive pay in lieu of vacation days not used upon termination.

Teachers do not receive paid vacations, but are paid only for the number of days they are required to work each year. The Superintendent does receive 15 days paid vacation each year accrued up to a limit of 30 days.

Teachers receive eight emergency days each year. The emergency leave may accumulate to 82 days. Teachers with 25 or more years of service and at least 10 years in Wibaux may receive termination pay equal to 1/4 the accumulated emergency leave days at 1/183 of their final gross salary.

7. **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 200239
1500 Sixth Avenue
Helena, MT 59620-0139
(406) 444-3134

Public Employees Retirement System
P.O. Box 200231
1712 Ninth Avenue
Helena, MT 59620-0131
406) 444-3154

7. **Statewide Retirement Plans – cont.**

The financial statement for PERS includes 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:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	8.47	8.15	16.62
PERS	6.80	6.90	13.70
PERS (hired on or 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 covered payroll for each plan is as follows:

	<u>PERS</u>	<u>TRS</u>
Covered Payroll	\$ 221,961	\$ 1,130,935
Employee Contributions	17,535	92,172
Employer Contributions	17,313	95,950

The District's contributions for the years ended June 30, 2012 and 2013 were \$12,951 and \$13,005 for PERS and \$69,381 and \$74,992 for TRS respectively.

8. **County Provided Services**

The District is provided various financial services by Wibaux County. The County serves as a bank for the District. All District funds, except the Extracurricular Fund and investments, are maintained and accounted for as agency funds at the County. The County also serves as Cashier and Treasurer for the District for tax collections and other revenues subject to deposit into the District agency funds maintained by the County. The County bills and collects property taxes and makes payments on District issued warrants. No service charges have been recorded by the District or the County.

9. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the District through the date of this audit report for the year ended June 30, 2014.

10. **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

10. **Risk Management – cont.**

operating as a common risk management and insurance program for member school districts. The District pays quarterly premiums for its employee 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.

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.

11. **Property Taxes Receivable**

As discussed in Note 1, the District records property taxes not collected and offset this amount in the deferred revenue account. Each fiscal year end, the County Treasurer supplies the District with the balance of uncollected property taxes.

Detailed information on collections and levies are not made available to the District. Reconciliations of these amounts are not considered practical, whereas all information is maintained by the County Treasurer.

12. **Joint Ventures**

A joint venture is a legal entity or other contractual agreement created by two or more governments for a special purpose.

Special Education Cooperative

School District Number 6 is a member of the Prairie View Special Services Cooperative. The Cooperative is comprised of thirteen member districts, each of which contributes to the operating costs of the Cooperative based on the annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services.

The Cooperative is administered by a Board comprised of one member from each participating district. The Cooperative does have an annual audit of which a copy of the report is obtained by the School District.

13. **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.

14. **Subsequent Events**

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

SCHOOL DISTRICT NO. 6
WIBAUX COUNTY
WIBAUX, MONTANA

REQUIRED SUPPLEMENTAL INFORMATION
Fiscal Year Ended June 30, 2014

WIBAUX PUBLIC SCHOOL
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	\$ 405,525	\$ 405,525	\$ 404,509	\$ (1,016)
Earnings on investments	833	833	566	(267)
Other local sources	233	233	12,842	12,609
State revenue	1,154,621	1,154,621	1,169,209	14,588
Federal aid	-	-	-	-
Total revenues	<u>1,561,212</u>	<u>1,561,212</u>	<u>1,587,126</u>	<u>25,914</u>
Expenditures:				
Current:				
Instructional services	738,494	745,788	646,847	98,941
Supporting services:				
Students	38,212	38,212	61,332	(23,120)
Instructional staff	46,753	46,753	49,877	(3,124)
District administration	118,551	118,551	135,476	(16,925)
School administration	54,097	54,097	70,814	(16,717)
Business services	38,177	38,177	47,853	(9,676)
Operation and maintenance of facilities	203,671	210,965	199,945	11,020
Transportation	-	-	3,123	(3,123)
Special education	84,621	84,621	88,631	(4,010)
Vocational programs	107,412	107,412	99,936	7,476
Extracurricular programs	96,788	96,788	111,511	(14,723)
Food services	30,435	30,435	44,785	(14,350)
Capital outlay	-	-	15,665	(15,665)
Total expenditures	<u>1,557,211</u>	<u>1,571,799</u>	<u>1,575,795</u>	<u>(3,996)</u>
Excess of revenues over expenditures	<u>4,001</u>	<u>(10,587)</u>	<u>11,331</u>	<u>21,918</u>
Other financing sources (uses):				
Sale of assets	-	-	6,211	6,211
Transfers	(4,000)	(4,000)	-	4,000
Total other financing sources (uses):	<u>(4,000)</u>	<u>(4,000)</u>	<u>6,211</u>	<u>10,211</u>
Net change in fund balances	<u>\$ 1</u>	<u>\$ (14,587)</u>	<u>17,542</u>	<u>\$ 32,129</u>
Fund balance - beginning - Budget basis			<u>187,909</u>	
Fund balance - ending - Budget basis			205,451	
Current year encumbrances			28,570	
Change in inventory			<u>24,252</u>	
Fund balance - ending - GAAP basis			<u>\$ 258,273</u>	

WIBAUX PUBLIC SCHOOL
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Bus Depreciation Fund
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Property taxes	\$ 36,924	\$ 36,924	\$ 36,794	\$ (130)
Earnings on investments	-	-	795	795
Other local sources	-	-	-	-
State revenue	<u>58,914</u>	<u>58,914</u>	<u>58,914</u>	<u>-</u>
Total revenues	<u>95,838</u>	<u>95,838</u>	<u>96,503</u>	<u>665</u>
Expenditures:				
Current:				
Instructional services	-	-	-	-
Supporting services:				
Students	-	-	-	-
Instructional staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Operation and maintenance of facilities	-	-	-	-
Transportation	5,000	5,000	-	5,000
Special education	-	-	-	-
Vocational programs	-	-	-	-
Extracurricular programs	-	-	-	-
Food services	-	-	-	-
Capital outlay	<u>334,784</u>	<u>334,784</u>	<u>25,000</u>	<u>309,784</u>
Total expenditures	<u>339,784</u>	<u>339,784</u>	<u>25,000</u>	<u>314,784</u>
Excess of revenues over expenditures	<u>(243,946)</u>	<u>(243,946)</u>	<u>71,503</u>	<u>315,449</u>
Other financing sources (uses):				
Sale of assets	-	-	7,000	7,000
Transfers	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
Net change in fund balances	<u>\$ (243,946)</u>	<u>\$ (243,946)</u>	<u>78,503</u>	<u>\$ 322,449</u>
Fund balance - beginning - Budget and GAAP basis			<u>243,947</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 322,450</u>	

**WIBAUX PUBLIC SCHOOL
SCHOOL DISTRICT NO. 6**

Notes to Required Supplemental Information

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.

The General Fund budgets are based on the State's Foundation Program which is designed to equalize taxing effort 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.

The Miscellaneous Fund is also a major fund, but it is not a budgeted fund.

The District made the following budget amendments:

	<u>Original</u>	<u>Change</u>	<u>Final</u>
General	\$ 1,561,211	\$ 14,588	\$ 1,575,799

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).

Encumbrances – cont.

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.

As of June 30, 2014, there were encumbrances of \$46,237.

Reporting

The Statement of Revenues, Expenditures, and Changes in Fund Balances, on page 9, combines the General and Flexibility Funds.

	<u>General</u>	<u>Flexibility</u>	<u>Total</u>
Fund balance, beginning	\$ 191,029	\$ 357,538	\$ 548,567
Revenues	1,593,337	680,342	2,273,679
Expenditures	1,550,344	613,991	2,164,335
Inventory change	24,252	-	24,252
Fund balance, ending	<u>\$ 258,274</u>	<u>\$ 423,889</u>	<u>\$ 682,163</u>

SCHOOL DISTRICT NO. 6
WIBAUX COUNTY
WIBAUX, MONTANA

SUPPLEMENTAL SCHEDULES

Fiscal Year Ended June 30, 2014

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

	Original Budgeted Amounts	Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 110,843	\$ 110,843	\$ 109,125	\$ (1,718)
Earnings on investments	100	100	1,659	1,559
Other local sources	246,953	246,953	246,033	(920)
State revenue	764,703	764,703	763,928	(775)
Total revenues	<u>1,122,599</u>	<u>1,122,599</u>	<u>1,120,745</u>	<u>(1,854)</u>
Expenditures:				
Current:				
Instructional services	1,195,967	1,195,967	568,973	626,994
Supporting services:				
Students	4,615	4,615	8,125	(3,510)
Instructional staff	9,054	9,054	28,717	(19,663)
District administration	54,272	54,272	73,700	(19,428)
School administration	7,126	7,126	7,964	(838)
Business services	11,952	11,952	13,736	(1,784)
Operation and maintenance of facilities	64,496	64,496	80,578	(16,082)
Transportation	168,694	168,694	103,481	65,213
Special education	12,901	12,901	25,676	(12,775)
Adult education	61,409	61,409	9,691	51,718
Vocational programs	13,088	13,088	30,298	(17,210)
Extracurricular programs	6,767	6,767	9,918	(3,151)
Food services	4,736	4,736	5,145	(409)
Capital outlay	100,000	100,000	180,198	(80,198)
Total expenditures	<u>1,715,077</u>	<u>1,715,077</u>	<u>1,146,200</u>	<u>568,877</u>
Excess of revenues over expenditures	<u>(592,478)</u>	<u>(592,478)</u>	<u>(25,455)</u>	<u>567,023</u>
Other financing sources				
Transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (592,478)</u>	<u>\$ (592,478)</u>	<u>(25,455)</u>	<u>\$ 567,023</u>
Fund balances - beginning - Budget basis			700,966	
Fund balances - ending - Budget basis			<u>675,511</u>	
Current year encumbrances			16,683	
Fund balance - ending GAAP basis			<u>\$ 692,194</u>	

WIBAUX PUBLIC SCHOOL
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Building Reserve Fund
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	821	821
State revenue	994,824	994,824	767,262	(227,562)
Total revenues	<u>994,824</u>	<u>994,824</u>	<u>768,083</u>	<u>(226,741)</u>
Expenditures:				
General administration	-	-	-	-
Operations and Maintenance	329,200	329,200	60,564	268,636
Capital outlay	1,032,650	1,032,650	214,756	817,894
Total expenditures	<u>1,361,850</u>	<u>1,361,850</u>	<u>275,320</u>	<u>1,086,530</u>
Excess of revenues over (under) expenditures	<u>(367,026)</u>	<u>(367,026)</u>	<u>492,763</u>	<u>859,789</u>
Other financing sources (uses):				
Transfer in	-	-	-	-
Net change in fund balances	<u>\$ (367,026)</u>	<u>\$ (367,026)</u>	492,763	<u>\$ 859,789</u>
Fund balances - beginning - Budget and GAAP basis			<u>367,027</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 859,790</u>	

**SCHOOL DISTRICT NO. 6
WIBAUX COUNTY
WIBAUX, MONTANA**

**SCHEDULE OF STUDENT ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2014**

FALL ENROLLMENT 10\13

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Kindergarten	12	12
Grades One - Six	68	68
Grades Seven - Eight	24	24
Total	104	104
<u>High School</u>		
9-12:		
Grades Nine - Twelve	57	57

WINTER ENROLLMENT 12\13

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Kindergarten	12	12
Grades One - Six	67	67
Grades Seven - Eight	24	24
Total	103	103
<u>High School</u>		
9-12:		
Grades Nine - Twelve	57	57

SPRING ENROLLMENT 2\14

<u>Elementary Schools</u>	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
Kindergarten	12	12
Grades One - Six	72	72
Grades Seven - Eight	25	25
Total	109	109
<u>High School</u>		
9-12:		
Grades Nine - Twelve	58	58

SCHOOL DISTRICT NO. 6
WIBAUX, COUNTY
WIBAUX, MONTANA

DISTRICT TAX LEVIES - ALL APPLICABLE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

General	51.79
Bus Depreciation	4.72
Adult Education	1.80
Transportation	12.35
Total	<u>70.66</u>

DISTRICT TAXABLE VALUATION

District	\$7,830,526
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WIBAUX PUBLIC SCHOOL
Statement of Revenues and Expenditures
Extra-Curricular Fund
Year Ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
ATHLETICS	\$ 22,376	\$ 60,265	\$ 74,856	\$ 794	\$ 8,579
CONCESSIONS	2,277	21,217	17,576	(3,772)	2,146
HOME EC	314	451	477	-	288
MUSIC	133	761	554	(200)	140
VENDING MACHINES	646	6,120	5,028	(992)	746
PUBLICATIONS	12,319	3,369	200	(1,772)	13,716
LIBRARY	48	-	-	-	48
DRAMA	453	1	113	-	341
ART	8	14	-	-	22
RESALE	550	1	130	-	421
SHOP	913	50	287	-	676
TRANSITION	81	110	167	100	124
STUDENT COUNCIL	258	444	745	310	267
HS CHEERLEADERS	203	-	-	-	203
FFA	5,752	7,859	6,992	374	6,993
BUSINESS CLUB	2,689	581	548	304	3,026
L-A CLUB	2,658	600	988	352	2,622
FCCLA	1,666	3,661	3,259	994	3,062
ACCELERATED READER	596	2,638	2,207	(144)	883
CLASS OF 2014	3,175	772	4,525	2,361	1,783
CLASS OF 2015	3,112	1,759	753	(916)	3,202
CLASS OF 2016	2,088	1	-	449	2,538
CLASS OF 2017	1,010	219	-	739	1,968
CLASS OF 2018	882	800	614	479	1,547
CLASS OF 2019	-	-	-	540	540
CAREER RESEARCH	1,956	642	541	-	2,057
	<u>\$ 66,163</u>	<u>\$ 112,335</u>	<u>\$ 120,560</u>	<u>\$ -</u>	<u>\$ 57,938</u>



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10 East Montana Ave
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

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
School Districts No. 6
Wibaux, Montana 59353

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 School District No. 6, Wibaux, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 6, Wibaux, Montana's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District No. 6, Wibaux, 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 School District No. 6, Wibaux, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 6, Wibaux, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings on pages 37 – 38 that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District No. 6, Wibaux, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

School District No. 6, Wibaux, Montana's Response to Findings

School District No. 6, Wibaux, Montana's response to the findings identified in our audit is described in the accompanying schedule of findings. School District No. 6, Wibaux, Montana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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*
CPT

Baker, Montana
November 17, 2014

**WIBAUX PUBLIC SCHOOL
WIBAUX, MONTANA**

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

1. SALARY EXPENSES IN TRANSPORTATION FUND

- Criteria: ARM 10.10.303 (Appendix E) administrative salaries charged to the Transportation Fund should be limited to time spent on transportation issues.
- Condition: 25% of the Superintendent's salary has been charged to the Transportation Fund.
- Effect: The expense in the Transportation Fund is overstated and that in the General or Flex Funds is understated.
- Recommendation: The amount of salary charged to the Transportation Fund should be limited to the time spent.

2. SCHOLARSHIP FUNDS THAT ARE EXPENDABLE

- Criteria: The Montana School Fund Accounting System has a Fund 81 for scholarships for interest only expenditures and Fund 85 for funds that are totally expendable.
- Condition: The School District is using just Fund 81 for both interest only and fully spendable scholarships.
- Effect: Using only Fund 81 misclassifies the amount of funds available for scholarships.
- Recommendation: Move the spendable scholarship funds to Fund 85.

3. REQUIRED BUDGET REPORTS TO THE BOARD OF TRUSTEES

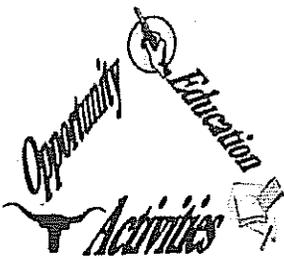
- Criteria: The District Clerk is required to provide the Board of Trustees with periodic reports of receipts and expenditures in comparison to the budget.
- Condition: The budget information that was included on the Budget to Actual information was the budget for the prior year.
- Effect: The Board of Trustees did not have current information to be able to monitor receipts and disbursements to budget information.
- Recommendation: The District Clerk needs to be provided with the line item budget to provide the Board with correct Budget to Actual information.

4. **DISBURSEMENTS FROM EXTRACURRICULAR FUND**

- Criteria: The State of Montana's Student Activity Fund Accounting requires disbursements to be approved by the Fund Advisor.
- Conditions: Disbursements from the Activity Accounts are being made with only the approval of a student.
- Effect: Proper supervision of disbursements and controls are not being followed.
- Recommendation: Advisor of all clubs or groups should review and approve disbursements.

5. **CONTRACTS AWARDED NONLICENSED CONTRACTORS**

- Criteria: Montana State Law requires contractors to be licensed in Montana.
- Conditions: The School District awarded contracts and made payments to contractors that were not licensed in Montana.
- Effect: The School District is not in compliance with State law.
- Recommendation: The School District should obtain all required documentation from independent contractors before awarding contracts.



Wibaux Public School

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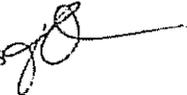
Terry Quintus, Superintendent / HS Principal
tquintus@wibauxschool.net

Prairie Mannetter, Clerk
pmannetter@wibauxschool.net
Craig Lunde, A.D.
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November 18, 2014

To: Jim Wosepka

From: Terry Quintus 

Re: Response to Schedule of Findings

This letter is in response to the Schedule of Findings for the Year Ended June 30th, 2014.

1. Salary Expenses in Transportation Fund – The percentages has been changed to reflect a more realistic expense from the Transportation Fund. The Superintendent percentage is now 15%.
2. Scholarship Fund that are Expendable – We have moved the spendable scholarship funds to Fund 85
3. Required Budget Reports to the Board of Trustees – The Budget for 2014-2015 reflects current year budget and is completed.
4. Disbursement from Extracurricular Fund – The advisors of the club are now being required to sign off on the expenses
5. Contracts awarded Non-Licensed Contractors – A policy was passed to prevent this from occurring.