



Independent Auditor's Report  
& Financial Statements

**Chinook Public School District No. 10**

Blaine County  
Chinook, Montana  
June 30, 2014

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## ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS

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June 30, 2014

### BOARD OF TRUSTEES

Pauly Miller	Chairman
Kraig Hansen	Vice-Chairman
Travis Buck	Trustee
Scott Gunderson	Trustee
James Hodgson	Trustee
Ernest Johnson	Trustee
Viki Tilleman	Trustee
Connie Copenhaver	Trustee
Keith Raty	Trustee

### OFFICIALS

Jay Eslick	District Superintendent
Shanna Flores	District Clerk
Donald Ranstrom	County Attorney
Terry Brockie	County Superintendent of Schools
Wenda Oehmcke	County Treasurer



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**June 30, 2014**

This section of the Chinook School District #10's (the District) 2014 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 Chinook 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 District's assets exceeded the District's liabilities at the close of FY 2014 by \$3,476,244.
- ✚ The District's net position decreased by 5.4% at the close of FY 2014 mostly due to depreciation of capital assets.
- ✚ Overall revenues from all sources for the District's in FY 2014 were \$4,256,296 which represented a 4.3% increase from FY 2013.
- ✚ The District's expenses for FY 2014 were \$4,454,645 which represents a .3% increase from FY 2013.
- ✚ The District's expenses exceeded revenues for FY 2014 by \$198,349.
- ✚ State sources of revenue for the District increased 12% or \$252,861 in FY 2014 while property tax revenue increased 4.8% or \$52,535. State sources of revenue were 55.4% of the total in FY 2014 (51.5% in FY 2013) and property taxes made up 27.1% in FY 2014 (26.9% in FY 2013).
- ✚ Revenue from operating grants and contributions was down 43.8% or \$194,822 in FY 2014.
- ✚ Expenses for instruction, supporting services, and operation and maintenance account for 75.4% of the district expenses in FY 2014 compared to 76.8% in FY 2013.
- ✚ The District had Capital Assets including Land, Buildings, Machinery, and Equipment of \$2,070,064 at the close of FY 2014 after depreciation was subtracted.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- ✚ Capital Assets in the District decreased 9.2% in FY 2014 mostly due to depreciation.
- ✚ The District's long-term debt outstanding increased by 9.3% in FY 2014 or \$31,622 mostly due to an increase in liabilities associated with other post-employment benefits and compensated absences of employees.
- ✚ The district has total governmental fund balances of \$1,650,718 at the end of FY 2014 which was a 1% increase from FY 2013.

The financial position of the Chinook School District is excellent even with a drop in net assets for FY 2014.

### Overview of the Chinook School District #10 Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Chinook Public 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 District's finances in a manner similar to a private-sector business. This broad overview is accomplished using a statement of net position and a statement of activities. Each statement distinguishes between governmental and business type activities and between the total governmental and business type activities of the school district.

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in the 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 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 District do not operate any business-type activities.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Fund-based Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

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

### Governmental funds

*Governmental funds* are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Board of Trustees of the District. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Chinook Elementary District and High School District are recognized by state law as separate entities, but for the purposes of this discussion are combined. Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and High School Bus Depreciation Fund as they were considered to be the major funds in FY 2014. The other governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. A budgetary comparison is provided for the General Fund and High School Bus Depreciation Fund later in this report.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Proprietary funds

Proprietary funds statements offer short-term and long-term financial information about the activities the district may operate similar to business, such as food services and adult education. Enterprise funds account for activities for which a fee is charged to external users and internal service funds account for activities that provide goods or services to other funds. The District does not operate any proprietary funds.

### 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 District. Student activity accounts and scholarship trusts are the most common fiduciary funds in school district. The District has fiduciary funds in their Private Purpose – Trust Fund.

### Notes to the Financial Statements

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.

### Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *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 District, assets exceeded liabilities by \$3,476,244 at the close of the 2014 fiscal year. Net assets for the district at the end of FY 2014 showed a 5.4% decrease from the close of FY 2013. The decrease in net assets was the result of a 2.5% increase in current and other assets coupled with a 9.2% decrease in capital assets and a 9.3% increase in liabilities. The increase in liabilities was the result of an increase in postemployment benefits (\$15,772) and an increase in compensated absences (\$15,850). The decrease in capital assets was mostly due to added depreciation of \$277,359. The district did make some minor capital improvements to land of \$28,259 and buildings of \$19,290 along with the addition of a small amount of equipment and machinery that totaled \$19,680. The net result of the added depreciation along with the improvements to land and buildings along with the addition of equipment was a decrease in capital assets of \$210,130. The following chart presents information on the district net position for FY 2013 and FY 2014.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Position of the District

GOVERNMENTAL ACTIVITIES				
	FY 2013	FY2014	Change	% Change
Current And Other Assets	\$1,734,418	\$1,777,821	\$43,403	2.5%
Capital Assets Net Of Accumulated Depreciation	\$2,280,194	\$2,070,064	-\$210,130	-9.2%
<b>Total Assets</b>	<b>\$4,014,612</b>	<b>\$3,847,885</b>	<b>-\$166,727</b>	<b>-4.2%</b>
Current Liabilities	\$0	\$32,343	\$32,343	100%
Long-Term Liabilities	\$340,019	\$339,298	-\$721	-0.2%
<b>Total Liabilities</b>	<b>\$340,019</b>	<b>\$371,641</b>	<b>\$31,622</b>	<b>9.3%</b>
Net Assets				
Invested In Capital Assets Net Of Related Debt	\$2,280,194	\$2,070,064	-\$210,130	-9.2%
Restricted For:				
Compensated Absences	\$24,299	\$34,581	\$10,282	42.3%
Other Fund Activities	\$439,307	\$900,166	\$460,859	104.9%
Capital Projects	\$247,571	\$255,476	\$7,905	3.2%
Unrestricted	\$683,222	\$215,957	-\$467,265	-68.4%
<b>Total Net Assets</b>	<b>\$3,674,593</b>	<b>\$3,476,244</b>	<b>-\$198,349</b>	<b>-5.4%</b>

A large portion of the net assets of the District at the close of FY 2014 (53.8% in FY 2014 – 56.8% 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 District have no related debt. The District use these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Another portion of the net assets of the District (6.2% was 18.5% in FY 2013) represent *unrestricted net assets* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The unrestricted funds decreased by 68.4% from FY 2013 to FY 2014 while the overall net assets of the District decreased by 5.4% during the same time period. The remaining portion of the District net assets represent *restricted net assets* which can only be used for a specific purpose. The District restricted net assets increased by 67.4% from FY 2013 to FY 2014. The overall financial condition of the District decreased in FY 2014, but remains in excellent condition at the end of the fiscal year.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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At the end of FY 2014 the District was able to report a positive balance of net assets for both the government as a whole, as well as for governmental activities. The District net assets showed a decrease of \$198,349 in FY 2014 after a decrease of \$357,405 during FY 2013.

### Governmental activities

#### District Wide - Statement of Activities

Governmental Activities				
	FY 2013	FY 2014	Change	% Change
Program Revenues:				
Charges For Services	\$111,081	\$76,913	-\$34,168	-30.8%
Operating Grants & Contributions	\$444,608	\$249,786	-\$194,822	-43.8%
General Revenues				
Property Taxes	\$1,101,537	\$1,154,072	\$52,535	4.8%
Local/County Sources	\$309,900	\$390,915	\$81,015	26.1%
State Sources	\$2,106,495	\$2,359,356	\$252,861	12.0%
Investment Earnings	\$9,148	\$4,555	-\$4,593	-50.2%
Miscellaneous	\$0	\$20,699	\$20,699	100%
Total Revenues	\$4,082,769	\$4,256,296	\$173,527	4.3%



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities				
Expenses:	FY 2013	FY 2014	Change	% Change
Instruction - Regular Programs	\$2,175,426	\$2,014,108	-\$161,318	-7.4%
Instruction - Special Programs	\$148,181	\$205,470	\$57,289	38.7%
Vocational Programs	\$141,694	\$138,892	-\$2,802	-2.0%
Adult Education	\$6,330	\$3,199	-\$3,131	-49.5%
Traffic Education	\$5,614	\$2,890	-\$2,724	-48.5%
Supporting Services	\$684,786	\$714,732	\$29,946	4.4%
Operations & Maintenance	\$554,080	\$632,107	\$78,027	14.1%
Student Transportation	\$323,077	\$314,054	-\$9,023	-2.8%
Food Services	\$247,954	\$258,171	\$10,217	4.1%
Extracurricular	\$155,501	\$171,022	\$15,521	10.0%
<b>Total Expenses</b>	<b>\$4,442,643</b>	<b>\$4,454,645</b>	<b>\$12,002</b>	<b>0.3%</b>
Special Items	\$2,468	\$0	-\$2,468	-100.0%
Increase (Decrease) Net Assets	-\$357,406	-\$198,349	\$159,057	-44.5%
Net Assets – Beginning Year	\$4,031,998	\$3,674,593	-\$357,405	-8.9%
Net Assets – End Of Year	\$3,674,593	\$3,476,244	-\$198,349	-5.4%

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

- ⚡ Total Revenues for the district were up 4.3% or \$173,527 mainly due to an increase in revenue from state sources of \$252,861.
- ⚡ Total expenses for the district were up .3% or \$12,002 mainly due to an increase in operation/maintenance costs along with instructional special programs.
- ⚡ Revenue from property taxes increased by 4.8% or \$52,535.
- ⚡ State Revenue was up 12% for the district or \$252,861.
- ⚡ Local/county revenue was up 26.1% in the district or \$81,015.
- ⚡ Interest earnings decreased by 50.2% or \$4,593.
- ⚡ District instruction expenses (for regular programs) were down 7.4% or \$161,318.
- ⚡ Instruction expenses for special programs were up 38.7% or \$57,289.
- ⚡ Support Service expenses were up 4.4% or \$29,946.
- ⚡ Vocational program expenses were down 2% or \$2,802.



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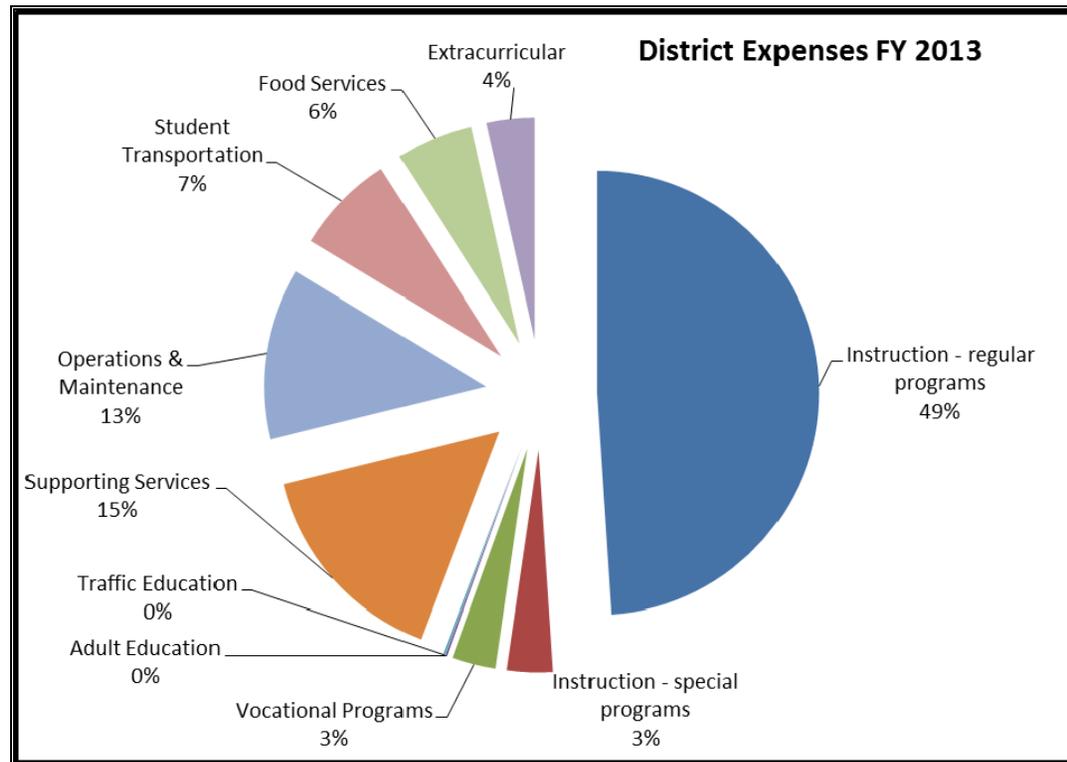
## MANAGEMENT'S DISCUSSION AND ANALYSIS

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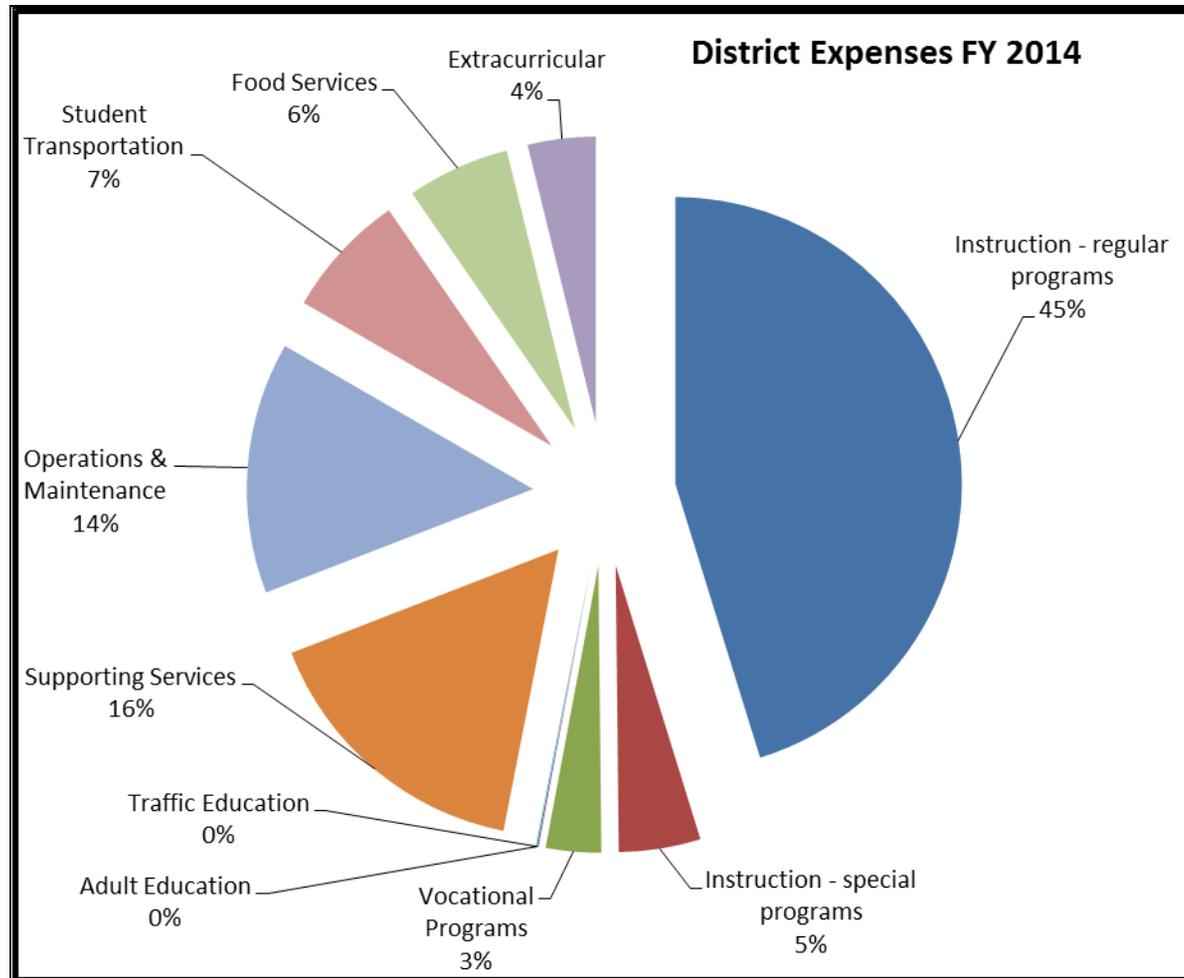
- ✚ Student Transportation expenses were down \$9,023 or 2.8%.
- ✚ Operation and maintenance costs were up 14.1% or \$78,027.
- ✚ Food services expenditures were up 4.1% or \$10,217.
- ✚ Extracurricular activities cost were up 10% or \$15,521.
- ✚ Revenue from operating grants and contributions was down 43.8% or \$194,822.
- ✚ Revenue from charges for services decreased 30.8% or \$34,168.

### District Expenses

The following charts present district expenses by category.



## MANAGEMENT'S DISCUSSION AND ANALYSIS



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The pie graphs for district expenses show the allocation of resources for specific purposes in the District's during FY 2013 and FY 2014. The graphs illustrates the major expenditure areas, with instruction (regular programs) costs accounting for 49% & 45% of the District expenses, supporting services were 15% and 16%, operation & maintenance accounting for 13% and 14%, transportation accounting for 7% and 7%, and food services accounting for 6% and 6% of the District expenses. Instruction (regular programs) costs decreased by 4% of the total expenses for the district in FY 2014 while support services and operation & maintenance costs increased by 1% along with a 2% increase in instruction (special programs) expenses. The remaining categories remained at the same percentages of expenses in FY 2014.

### **Revenue by Source – Governmental Activities**

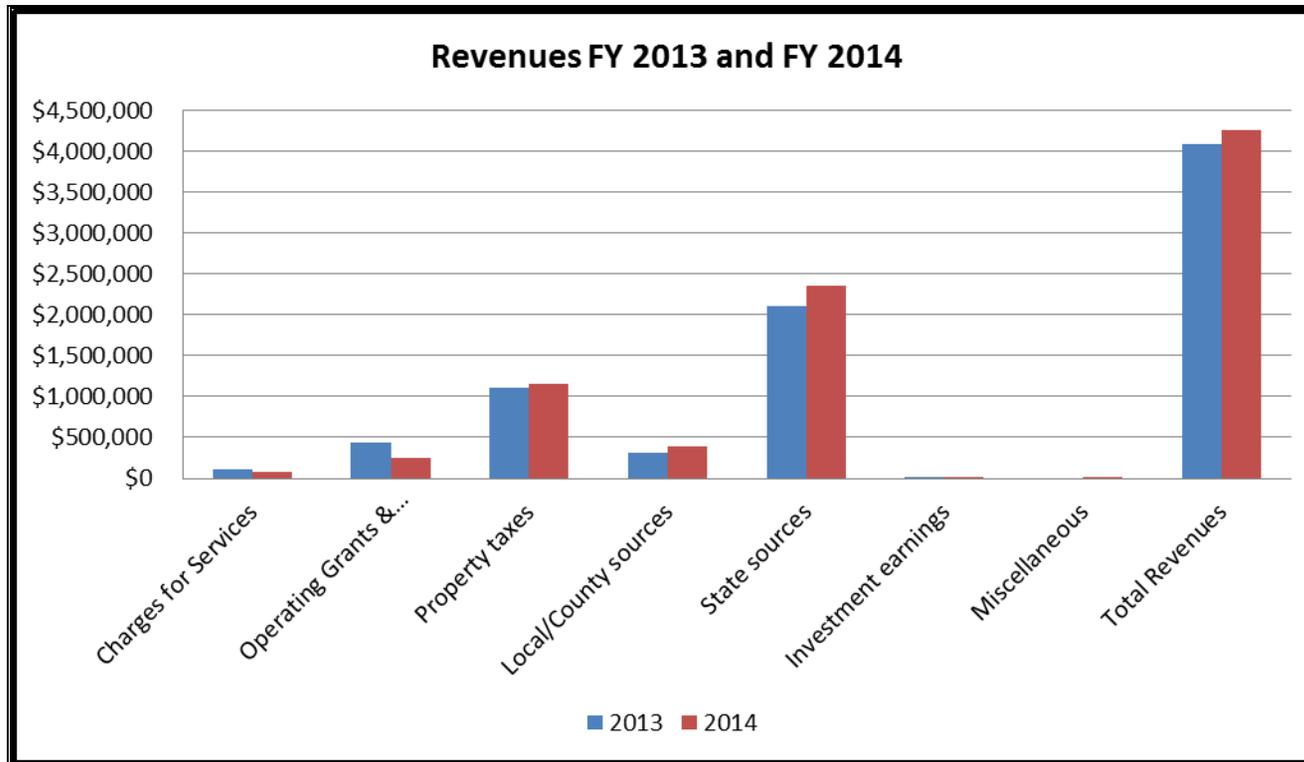
The following bar graph shows that state sources are the largest source of revenue for the District followed by property taxes and local/county sources. The major changes from FY 2013 to FY 2014 were an increase in state revenue, property taxes, local/county revenue, and total revenue. Charges for services and operating grants & contributions revenue decreased in 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.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Analysis of the Government's Funds

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

### Governmental funds

The focus of the *governmental funds* of the 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. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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At the end of FY 2013, the governmental funds of the school district reported a combined ending fund balance of \$1,633,938 and at the end of FY 2014 the fund balance was \$1,650,718 which represents a 1% increase. Approximately 26.8% (24.6% in FY 2013) of this total amount constitutes *unassigned fund balance* in FY 2014, which is available for spending at the discretion of the Board of Trustees.

The general fund is the main operating fund of the Chinook School District. At the end of FY 2013, the General Fund had a balance of \$434,107 and at the close of FY 2014 the balance was \$496,395. The General Fund unassigned balance for FY 2014 was \$442,777. The General Fund ending balance increased in FY 2014 while the total fund balances in the district increased over the same period.

### **Governmental Fund Financial Statements**

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The governmental funds balance sheet is comprised of major funds and all other funds. The General Fund and High School Bus Depreciation 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 2014 demonstrates that the District are in excellent financial condition with a slight increase in the total fund balances of 1%. The District have considerable amounts of cash and investments in the general fund which made up 30.1% (34.6% in FY 2013) of the total fund balances in FY 2014. The District have a minimal amount of liability attached to these same funds. The District's 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 sources of revenue are the major contributor for the district general fund category at 73.4% (70.5% in FY 2013) in FY 2014. The major expenditure in the general fund is instruction. Instruction expenditures make up 55.7% (56.5% in FY 2013) of the general fund total costs for FY 2014. General fund costs for supporting service along with operation & maintenance rank 2 and 3 respectively for expenditures in the district. The District total fund balances increased 1% from FY 2013 to FY 2014.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### General Fund Budgetary Highlights

During FY 2014 the District encountered several differences between the budgeted amounts and the actual amounts for both revenue and expenses in the General Fund. Actual general fund revenue collected was \$15,895 less than was budgeted in the original and final budgets after re-appropriations. Revenue from state sources provided more revenue with \$230,956 more dollars than was budgeted. Actual county revenue was \$110,000 less than what was budgeted. Property taxes brought in \$42,538 fewer dollars than was budgeted in FY 2014 for the general fund. Other revenue categories only showed very minor differences from the original budget to the actual amount collected. Overall actual revenue collected was very close to the budgeted amounts. Actual expenses were \$89,450 less than was budgeted for in the final budget. Actual expenses in the District were 2.4% less than was budgeted which in a budget of over \$3 million dollars is excellent budgeting. The net result of slightly less revenue than expected and fewer expenses was a plus \$50,086 for the general fund when expenses are subtracted from revenue including any other uses. The final result was an increase in the general fund balance in FY 2014.

### Capital Asset and Debt Administration

#### *Capital assets*

The investment by the Chinook School District in capital assets for governmental activities as of June 30, 2014, was \$2,070,064 after depreciation is subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. During the 2014 fiscal year the district capital assets decreased by 9.2% which was mostly due to added depreciation of \$277,359. The district did make some minor capital improvements to land of \$28,259 and buildings of \$19,290 along with adding a small amount of equipment and machinery that totaled \$19,680. The net result of the added depreciation along with the improvements to land, building, and the addition of equipment was a decrease in capital assets of \$210,130. The capital assets of the District increased 1.1% at historical costs, but decreased by 9.2% during FY 2014 after depreciation was subtracted.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets of the Chinook School District

Capital Assets	Governmental Activities				
	Balance 30-Jun-13	Additions	Deletions	Balance 30-Jun-14	Change
Land & Land Improvements	\$494,074	\$28,259		\$522,333	5.7%
Buildings & Improvements	\$4,357,233	\$19,290		\$4,376,523	0.4%
Machinery & Equipment	\$1,263,803	\$19,680		\$1,283,483	1.6%
Totals at Historical Cost	\$6,115,110	\$67,229	\$0	\$6,182,339	1.1%
Less Accumulated Depreciation for:					
Land & Land Improvements	(\$67,311)	(\$12,203)		(\$79,514)	18.1%
Buildings & Improvements	(\$3,063,807)	(\$161,425)		(\$3,225,232)	5.3%
Machinery & Equipment	(\$703,799)	(\$103,731)		(\$807,530)	14.7%
Total Accumulated Depreciation	(\$3,834,917)	(\$277,359)		(\$4,112,276)	7.2%
Capital Assets net of depreciation	\$2,280,194	(\$210,130)	\$0	\$2,070,064	-9.2%

### Long-term debt

At the end of FY 201, the district had no bonded debt, but did have long-term liabilities of \$215,619 for compensated absences of employees and \$156,022 for postemployment benefits.

### 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 Chinook 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 Chinook administration and business office located in Chinook, Montana.





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## INDEPENDENT AUDITOR'S REPORT

December 31, 2014

Board of Trustees  
Chinook Public School District No. 10  
Blaine County  
Shepherd, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chinook Public School District No. 10, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Chinook Public School District No. 10's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Chinook Public School District No. 10's 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 Chinook Public School District No. 10, 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, budgetary comparison information and schedule of funding progress – other postemployment benefits as listed in the table of contents 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 Chinook Public School District No. 10's basic financial statements. The combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, student extracurricular fund – schedule of cash receipts, disbursements, transfers and changes in net position, and schedule of reported enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, student extracurricular fund – schedule of cash receipts, disbursements, transfers and changes in net position and schedule of reported enrollment, is the responsibility of management and was derived from and relates 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 combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balance – general fund, student extracurricular fund – schedule of cash receipts, disbursements, transfers and changes in net position and schedule of reported enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of Chinook Public School District No. 10'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 Chinook Public School District No. 10's internal control over financial reporting and compliance.

*Galusha, Higgins & Galusha, PC*

GALUSHA, HIGGINS & GALUSHA PC  
Billings, Montana

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## BASIC FINANCIAL STATEMENTS

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### Government-Wide Financial Statements:

#### STATEMENT OF NET POSITION

June 30, 2014

**ASSETS:**

Cash and Equivalents	1,549,126
Receivables	127,103
Due from Other Governments	39,916
Inventory	61,676
Capital Assets:	
Land	230,470
Other Capital Assets, net of depreciation	1,839,594
Total Capital Assets	<u>2,070,064</u>
Total Assets	<u><u>3,847,885</u></u>

**LIABILITIES:**

Long-term liabilities:	
Due within one year:	
Compensated absences	32,343
Due in more than one year:	
Compensated absences	183,276
Other postemployment benefits	<u>156,022</u>
Total liabilities	<u><u>371,641</u></u>

**NET POSITION:**

Net investment in capital assets	2,070,064
Restricted for:	
Compensated absences	34,581
Other fund activities	900,166
Capital projects	255,476
Unrestricted	<u>215,957</u>
Total net position	<u><u>3,476,244</u></u>



The accompanying notes are an integral part of these financial statements.

## BASIC FINANCIAL STATEMENTS - CONTINUED

### STATEMENT OF ACTIVITIES

June 30, 2014

	Expenses	Program Revenue		Net (Expense) Revenue
		Charges for Services	Operating Grants	
<b>Primary government</b>				
Instruction:				
Regular Programs	2,014,108	3,853	137,105	(1,873,150)
Special Programs	205,470	0	0	(205,470)
Vocational Programs	138,892	0	0	(138,892)
Adult Education	3,199	0	0	(3,199)
Traffic Education	2,890	0	0	(2,890)
Supporting Services	714,732	0	0	(714,732)
Operations & Maintenance	632,107	0	0	(632,107)
Student Transportation	314,054	0	0	(314,054)
Food Services	258,171	73,060	112,681	(72,430)
Extracurricular	171,022	0	0	(171,022)
Total governmental activities	<u>4,454,645</u>	<u>76,913</u>	<u>249,786</u>	<u>(4,127,946)</u>
<b>General revenues:</b>				
Property taxes				1,154,072
County Retirement Distribution				390,915
State Aid				2,359,356
Interest				4,555
Miscellaneous				20,699
Total general revenues				<u>3,929,597</u>
Change in net assets				(198,349)
Net position - beginning				<u>3,674,593</u>
Net position - ending				<u><u>3,476,244</u></u>

The accompanying notes are an integral part of these financial statements.



## BASIC FINANCIAL STATEMENTS - CONTINUED

### Fund Financial Statements

#### BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>High School Bus Depreciation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	442,777	439,347	667,002	1,549,126
Taxes receivable	91,203	8,753	27,147	127,103
Due from other governments	0	0	39,916	39,916
Inventories	53,618	0	8,058	61,676
Total assets	<u>587,598</u>	<u>448,100</u>	<u>742,123</u>	<u>1,777,821</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Deferred inflows of resources:				
Unavailable tax revenues	91,203	8,753	27,147	127,103
Total deferred inflows of resources	<u>91,203</u>	<u>8,753</u>	<u>27,147</u>	<u>127,103</u>
Fund balances:				
Nonspendable				
Inventory	53,618	0	8,058	61,676
Restricted for:				
Compensated absences	0	0	34,581	34,581
Other fund activities	0	439,347	418,358	857,705
Capital projects funds	0	0	253,979	253,979
Unassigned	442,777	0	0	442,777
Total fund balances	<u>496,395</u>	<u>439,347</u>	<u>714,976</u>	<u>1,650,718</u>
Total liabilities, deferred inflows of resources and fund balances	<u>587,598</u>	<u>448,100</u>	<u>742,123</u>	<u>1,777,821</u>

The accompanying notes are an integral part of these financial statements.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	1,650,718
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,070,064
Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	127,103
Some liabilities, (such as Compensated Absences and Other Postemployment benefits ), not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(371,641)
Net Position of Governmental Activities in the Statement of Net Position	<u><u>3,476,244</u></u>



## BASIC FINANCIAL STATEMENTS - CONTINUED

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

	General	High School Bus Depreciation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes for General Purposes	797,976	96,280	233,192	1,127,448
Tuition	0	0	3,853	3,853
Intergovernmental:				
County	0	0	390,915	390,915
State	2,229,255	0	130,101	2,359,356
Federal	0	0	249,786	249,786
Interest on Investments	1,402	1,262	1,891	4,555
Food Services	0	0	73,060	73,060
Other	4,909	0	15,790	20,699
Total revenues	<u>3,033,542</u>	<u>97,542</u>	<u>1,098,588</u>	<u>4,229,672</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,643,401	0	538,105	2,181,506
Supporting Services	581,046	0	92,463	673,509
Operations and Maintenance	503,605	0	119,049	622,654
Student Transportation	12,222	4,973	236,020	253,215
Food Services	65,523	0	190,904	256,427
Extracurricular	141,988	0	16,364	158,352
Capital Outlay	0	0	67,229	67,229
Total Expenditures	<u>2,947,785</u>	<u>4,973</u>	<u>1,260,134</u>	<u>4,212,892</u>
Excess (deficiency) of revenues over expenditures	<u>85,757</u>	<u>92,569</u>	<u>(161,546)</u>	<u>16,780</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	98,413	98,413
Transfers out	(23,469)	(57,025)	(17,919)	(98,413)
Total other financing sources and uses	<u>(23,469)</u>	<u>(57,025)</u>	<u>80,494</u>	<u>0</u>
Net change in fund balances	62,288	35,544	(81,052)	16,780
Fund balances - beginning	434,107	403,803	796,028	1,633,938
Fund balances - ending	<u>496,395</u>	<u>439,347</u>	<u>714,976</u>	<u>1,650,718</u>

The accompanying notes are an integral part of these financial statements.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	16,780
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(277,359)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	26,621
Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:	
Compensated absences expense	(15,850)
Other postemployment benefits	(15,770)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:	
Capital outlays	67,229
Change in net position of governmental activities	<u><u>(198,349)</u></u>



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### STATEMENT OF FIDUCIARY NET POSITION AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	<u>EXTRACURRICULAR</u>
<b>ASSETS</b>	
Cash	108,643
Total assets	<u>108,643</u>
<b>NET POSITION</b>	
Held in trust for student activities	108,643
Total net position	<u>108,643</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	
<b>ADDITIONS</b>	
Revenue from student activities	237,744
Interest	170
Total additions	<u>237,914</u>
<b>DEDUCTIONS</b>	
Expenses for student activities	241,357
Total deductions	<u>241,357</u>
Change in net position	(3,443)
Net position - beginning	<u>112,086</u>
Net position - ending	<u>108,643</u>

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The accompanying notes are an integral part of these financial statements.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

#### Note A Description of the School District and Reporting Entity

##### 1 Reporting Entity

Chinook Public School District No. 10 was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, High School and Elementary district. Accounting records of both district must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens, and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Blaine County provides substantial services to the District; tax billings, cash collections, debt payments and warrant redemption all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Blaine County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the Student Extracurricular Funds.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### Note B Summary of Significant Accounting Policies

The financial statements of Chinook Public School District No. 10 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school district. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

##### 1. Basis of Presentation

###### a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the extracurricular fund. The extracurricular fund, which accounts for the extracurricular activities of the District's students, is reported as a private purpose trust fund in the statement of fiduciary net position and changes in fiduciary net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

###### b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

#### 2 Governmental Funds

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

**Elementary Flex Fund** – Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The flex fund is funded by a state grant and voted levy.

**High School Flex Fund** – Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The flex fund is funded by a state grant and voted levy.

The general fund has been blended with the elementary and high school flex funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**High School Bus Depreciation** – The bus depreciation fund is used for the purpose of financing the replacement of buses and two-way radio equipment owned by the district. The fund may be used to replace route buses or athletic/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.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### 3 Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

#### 4 Basis of Accounting and Measurement Focus

##### a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

##### b. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide Statement of Net Position and on its Balance Sheet – Governmental Funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the ‘measurable’ and ‘available’ criteria for recognition in the current period. Advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the deferred inflow of resources for unavailable tax revenue and liability for advances from grantors are removed from the balance sheet and revenue is recognized.

#### 5 Cash and Investments

Cash resources of the District for all funds other than the Extracurricular Fund, are combined with cash resources of other school district within Blaine County to form a pool of cash and cash equivalents that is managed by the Blaine County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost, which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district’s previous month’s ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund’s previous month’s ending balance cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District’s cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

The cash and warrants payable in the payroll and claims clearing accounts are as follows:

	<u>Payroll Clearing</u>	<u>Claims Clearing</u>
Cash	<u>123,861</u>	<u>54,075</u>
Warrants payable	<u>123,861</u>	<u>54,075</u>

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular Fund cash of \$122,270 at June 30, 2014 is held at First Bank of Montana. The account is insured by the FDIC up to \$250,000.

#### 6 Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50-60 years
Machinery and Equipment	5-25 Years



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### 7 Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absence liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

#### 8 Deferred Inflows of Resources

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. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

#### 9 Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

**Nonspendable** - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

**Restricted** – Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

**Committed** – Amounts that can be used only for specific purposes determined by a formal action of the School District’s Board of Trustees (the District’s highest level of decision making authority).

**Assigned** – Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

**Unassigned** – The residual classification for the government’s general fund that includes all amounts that are not contained in the other classifications.

It is the District’s policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

#### 10 Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### 11 Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 12 Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through December 31, 2014, the date the financial statements were available to be issued.



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## **BASIC FINANCIAL STATEMENTS - CONTINUED**

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### **NOTES TO FINANCIAL STATEMENTS CONTINUED**

**For the Year Ended June 30, 2014**

#### **Note C Property Taxes**

Property taxes are collected by Blaine County who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Blaine County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Blaine County.

All property taxes are recognized in compliance with GASB Interpretation “Property Tax Revenue Recognition in Government Funds” which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### Note D Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:				
Land Improvements	263,604	28,259	0	291,863
Buildings and Improvements	4,357,233	19,290	0	4,376,523
Machinery and Equipment	1,263,804	19,680	0	1,283,484
	<u>5,884,641</u>	<u>67,229</u>	<u>0</u>	<u>5,951,870</u>
OTHER CAPITAL ASSETS:				
Land	230,470	0	0	230,470
	<u>230,470</u>	<u>0</u>	<u>0</u>	<u>230,470</u>
Total	<u>6,115,111</u>	<u>67,229</u>	<u>0</u>	<u>6,182,340</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	67,311	12,203	0	79,514
Buildings and Improvements	3,063,807	161,425	0	3,225,232
Machinery and Equipment	703,799	103,731	0	807,530
Total accumulated depreciation	<u>3,834,917</u>	<u>277,359</u>	<u>0</u>	<u>4,112,276</u>
Total	<u>2,280,194</u>			<u>2,070,064</u>



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

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

Instruction	183,058
School Administration	9,602
Operations & Maintenance	9,450
Student Transportation	60,836
Extracurricular	12,670
Food Service	1,743
	<u>277,359</u>

### Note E Non-Current Liabilities

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>	<u>Due Within More Than One Year</u>
Compensated Absences Payable	199,769	15,850	0	215,619	32,343	183,276
Other Postemployment Benefits	140,250	15,772	0	156,022	0	156,022
Total	<u>340,019</u>	<u>31,622</u>	<u>0</u>	<u>371,641</u>	<u>32,343</u>	<u>339,298</u>

The compensated absences liability will be liquidated by several of the governmental funds.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### Note F Employee Benefit Plans

##### 1. Plan Description and Provisions

All full-time District employees participate in one of two state-wide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$2,248,102.

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$31,209 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$30,515 (6.90% of eligible payroll for employees hired before July 1, 2011 and 7.90% of eligible payroll for employees hired after July 1, 2011). Total payroll for employees covered by PERS was \$400,116. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$61,724, \$53,460, and \$49,017, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$148,462 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution represented less than one percent of total contributions required of all participating employers. Required employee contributions to this plan were \$132,471 (8.15% of eligible payroll). Total payroll for teaching employees was \$1,734,971. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$280,933, \$235,023, and \$233,683, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E. Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

#### Note G Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, Inc., transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Employee medical insurance is provided through Blue Cross/Blue Shield of Montana. The District does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial. Finally, the District participates in the State Fund for its Workers' Compensation coverage. There are no deductibles or maximum coverage limits in the plan.

#### Note H Due From Other Governments

Due from other governments at June 30, 2014 consists of amounts owed to the District from other governmental entities. These consist of the following:

Elementary Miscellaneous Programs	14,916
Elementary Building	12,500
High School Building	12,500
Total	<u>39,916</u>



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### Note I Non-Monetary Transactions

The District received \$10,679 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as revenue and an expense of the fund receiving the commodities.

#### Note J Transfers

During the year ended June 30, 2014, the District made resource transfers of \$4,380, \$2,200, \$3,680, \$2,240 and \$32,025 from the Elementary General, High School General, Elementary Retirement, High School Retirement, and the High School Bus Depreciation funds for the purpose of updating school safety and security measures. These transfers are allowable pursuant to Senate Bill 348 that was passed by the Montana Legislature. The District also made resource transfers of \$25,000, and \$12,000, from the High School Bus Depreciation and Elementary Building Reserve Funds to the Elementary Interlocal Agreement fund pursuant to Montana Code Annotated Section 20-9-704. The District also made resource transfers of \$12,224, and \$4,664, from the Elementary General and High School General Funds to the Elementary Compensated Absences and High School Compensated Absences Funds to fund vacation and sick leave.

#### Note K Other Postemployment Benefits (OPEB)

##### 1 Other Postemployment Benefits

The District provides continuation of medical and dental coverage to its retiring employees. Retirees may elect to continue medical and dental coverage for themselves and their dependents through the District until the retiree's death. The District does not contribute to the health insurance premiums for retirees with the exception of one retiree and their spouse for whom the District contributes 100% of the medical insurance premiums. Other postemployment benefits arise from the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan and the cost of the retiree's premiums that are paid 100% by the District. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District has calculated and included a postemployment benefit liability for the year ended June 30, 2014.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### 2 Plan Description

The District maintains a single-employer medical plan. The plan provides defined health insurance for eligible employees, retirees, spouses and dependents. Included in the plan are medical and dental benefits. The plan has options for pre Medicare insurance benefits and for Medicare supplemental insurance benefits. Continued participation in the plan is elected by retirees at the time of retirement.

#### 3 Funding Policy

The required contribution for the District is based on a pay-as-go basis using a level percentage of pay amortization method over 30 years.

#### 4 Annual OPEB Cost and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

Normal Cost	9,188
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	5,977
Interest to 6/30/14	607
Annual OPEB Cost (expense)	<u>15,772</u>
Contributions Made	<u>0</u>
Increase in net OPEB Obligation	15,772
Net OPEB Obligation - 7/1/13	<u>140,250</u>
Net OPEB Obligation - 6/30/14	<u><u>156,022</u></u>



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### 5 Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	41,007	0.0%	41,007
June 30, 2012	68,931	0.0%	109,938
June 30, 2013	30,312	0.0%	140,250
June 30, 2014	15,772	0.0%	156,022

#### 6 Funded Status and Funding Progress

As of August 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$107,503. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was \$1,625,406 and the ratio of the UAAL to the covered payroll was 12.2%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



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## BASIC FINANCIAL STATEMENTS - CONTINUED

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### NOTES TO FINANCIAL STATEMENTS CONTINUED

For the Year Ended June 30, 2014

#### 7 Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2014 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method is used. The actuarial assumptions included a 4.00% discount rate assuming the District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 20% of future retirees will elect medical coverage. The annual healthcare cost trend rate of 9.5% for medical, decreasing for ten years until reaching an ultimate rate of 5.4%. It was assumed salary increases will be 3.35% annum. The UAAL is being amortized as a level percentage of projected payrolls over a twenty-five year time period.

#### Note L Related Party Transaction

The District received \$25,000 of building rent from Bear Paw Cooperative, a Special Education Cooperative of which the District is a member.

#### Note M Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.



**REQUIRED SUPPLEMENTAL INFORMATION**

**Chinook Public School District No. 10**

Blaine County  
Chinook, Montana  
June 30, 2014

## REQUIRED SUPPLEMENTAL INFORMATION

### BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	GENERAL FUND		ELEMENTARY FLEX	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
<b>REVENUES</b>				
Taxes	840,514	797,976	0	0
Intergovernmental revenues				
County	110,000	0	0	0
State	1,988,203	2,219,159	20,000	8,004
Interest on investments	2,335	1,402	0	0
Other revenue	239	0	0	1,743
Total revenues before reappropriations	<u>2,941,291</u>	<u>3,018,537</u>	<u>20,000</u>	<u>9,747</u>
Budgeted reappropriations	<u>93,141</u>		<u>0</u>	
Total revenues and reappropriations	<u><u>3,034,432</u></u>		<u><u>20,000</u></u>	
<b>EXPENDITURES</b>				
Current:				
Instruction	3,034,432	1,643,401	0	0
Supporting services	0	578,243	0	0
Operations and maintenance	0	503,605	0	0
Student transportation	0	12,222	0	0
Food services	0	65,523	0	0
Extracurricular	0	141,988	0	0
Capital outlay	0	0	20,000	0
Total expenditures	<u>3,034,432</u>	<u>2,944,982</u>	<u>20,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u><u>0</u></u>	<u><u>73,555</u></u>	<u><u>0</u></u>	<u><u>9,747</u></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Resource transfers in (out)		(23,469)		0
Total other financing sources (uses)		<u>(23,469)</u>		<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures		50,086		9,747
Fund balances, beginning (Non-GAAP budgetary basis)		403,167		0
Fund balances, ending (Non-GAAP budgetary basis)		<u>453,253</u>		<u>9,747</u>
Adjustments to generally accepted accounting principles				
Prior year inventory reserve		30,940		0
Fund balances, ending (GAAP basis)		<u><u>484,193</u></u>		<u><u>9,747</u></u>



## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

### BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

	HIGH SCHOOL FLEX		HIGH SCHOOL BUS DEPRECIATION	
	ORIGINAL AND FINAL		ORIGINAL AND FINAL	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>REVENUES</b>				
Taxes	0	0	103,814	96,280
Intergovernmental revenues				
State	20,000	2,092	10,000	0
Interest on investments	0	0	0	1,262
Other revenue	0	3,166	0	0
Total revenues before reappropriations	<u>20,000</u>	<u>5,258</u>	<u>113,814</u>	<u>97,542</u>
Budgeted reappropriations	0		403,803	
Total revenues and reappropriations	<u>20,000</u>		<u>517,617</u>	
<b>EXPENDITURES</b>				
Current:				
Supporting services	20,000	2,803	0	0
Student transportation	0	0	517,617	4,973
Total expenditures	<u>20,000</u>	<u>2,803</u>	<u>517,617</u>	<u>4,973</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>2,455</u>	<u>0</u>	<u>92,569</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Resource transfers in (out)		0		(57,025)
Total other financing sources (uses)		<u>0</u>		<u>(57,025)</u>
Excess (deficiency) of revenues and other sources over expenditures		2,455		35,544
Fund balances, beginning (Non-GAAP budgetary basis)		0		403,803
Fund balances, ending (Non-GAAP budgetary basis)		<u>2,455</u>		<u>439,347</u>
Adjustments to generally accepted accounting principles				
Prior year inventory reserve		0		0
Fund balances, ending (GAAP basis)		<u>2,455</u>		<u>439,347</u>



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## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

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### NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

#### 1. Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds		
Extracurricular		X
Payroll Clearing		X
Claims Clearing		X
High School Endowment		X



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## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund. The original budget as adopted was not amended.

**a. Budgetary policy follows:**

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
- 3) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.

Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.

Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).



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## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the Balance Sheet-Governmental Funds. Because inclusion of these obligations is required for budgetary purposes they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.



## REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

### SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

**For the Year Ended June 30, 2014**

The year ended June 30, 2010 was the year of transition for GASB Statement No. 45 therefore, the requirements of GASB Statement No. 45 have been implemented prospectively. Hence, the below illustration does not reflect similar information respective of the years preceding June 30, 2010. The annual OPEB costs, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2014, 2013, 2012, and 2011 for the District's other postemployment benefits are as follows:

		(a)	(b)	(b - a)	(a / b)	(c)	[(b - a) / c]
	Actuarial Valuation Date	Actuarial Value of assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Retiree Health Plan	06/30/11	\$ -	\$ 194,360	\$ 194,360	0.0%	\$ 1,688,691	11.5%
	06/30/12	\$ -	\$ 194,360	\$ 194,360	0.0%	\$ 1,598,381	12.2%
	06/30/13	\$ -	\$ 194,360	\$ 194,360	0.0%	\$ 1,607,536	12.1%
	06/30/14	\$ -	\$ 107,503	\$ 107,503	0.0%	\$ 1,625,406	6.6%





**SUPPLEMENTAL INFORMATION**

**Chinook Public School District No. 10**

Blaine County  
Chinook, Montana  
June 30, 2014

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## SUPPLEMENTAL INFORMATION - CONTINUED

### COMBINING BALANCE SHEET – GENERAL FUND

For the Year Ended June 30, 2014

	<u>Elementary General</u>	<u>High School General</u>	<u>Elementary Flex</u>	<u>High School Flex</u>	<u>Total General Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	255,026	175,549	9,747	2,455	442,777
Taxes receivable, net	55,886	35,317	0	0	91,203
Inventories	32,271	21,347	0	0	53,618
Total assets	<u>343,183</u>	<u>232,213</u>	<u>9,747</u>	<u>2,455</u>	<u>587,598</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Deferred inflows of resources:					
Unavailable tax revenues	55,886	35,317	0	0	91,203
Total deferred inflows of resources	<u>55,886</u>	<u>35,317</u>	<u>0</u>	<u>0</u>	<u>91,203</u>
Fund balances:					
Nonspendable					
Inventory	32,271	21,347	0	0	53,618
Unassigned	255,026	175,549	9,747	2,455	442,777
Total fund balances	<u>287,297</u>	<u>196,896</u>	<u>9,747</u>	<u>2,455</u>	<u>496,395</u>
Total liabilities, deferred inflows of resources and fund balances	<u>343,183</u>	<u>232,213</u>	<u>9,747</u>	<u>2,455</u>	<u>587,598</u>



## SUPPLEMENTAL INFORMATION - CONTINUED

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2014

	<u>Elementary General</u>	<u>High School General</u>	<u>Elementary Flex</u>	<u>High School Flex</u>	<u>Total General Funds</u>
<b>REVENUES</b>					
Property Taxes for General Purposes	474,912	323,064	0	0	797,976
Intergovernmental:					
State	1,314,291	904,868	8,004	2,092	2,229,255
Interest on Investments	756	646	0	0	1,402
Other	0	0	1,743	3,166	4,909
Total revenues	<u>1,789,959</u>	<u>1,228,578</u>	<u>9,747</u>	<u>5,258</u>	<u>3,033,542</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	1,072,471	570,930	0	0	1,643,401
Supporting Services	340,415	237,828	0	2,803	581,046
Operations and Maintenance	230,195	273,410	0	0	503,605
Student Transportation	3,632	8,590	0	0	12,222
Food Services	33,869	31,654	0	0	65,523
Extracurricular	21,346	120,642	0	0	141,988
Total Expenditures	<u>1,701,928</u>	<u>1,243,054</u>	<u>0</u>	<u>2,803</u>	<u>2,947,785</u>
Excess (deficiency) of revenues over expenditures	<u>88,031</u>	<u>(14,476)</u>	<u>9,747</u>	<u>2,455</u>	<u>85,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(16,603)</u>	<u>(6,866)</u>	<u>0</u>	<u>0</u>	<u>(23,469)</u>
Total other financing sources and uses	<u>(16,603)</u>	<u>(6,866)</u>	<u>0</u>	<u>0</u>	<u>(23,469)</u>
Net change in fund balances	71,428	(21,342)	9,747	2,455	62,288
Fund balances - beginning	<u>215,869</u>	<u>218,238</u>	<u>0</u>	<u>0</u>	<u>434,107</u>
Fund balances - ending	<u>287,297</u>	<u>196,896</u>	<u>9,747</u>	<u>2,455</u>	<u>496,395</u>



## SUPPLEMENTAL INFORMATION - CONTINUED

### EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS AND CHANGES IN NET POSITION For the Year Ended June 30, 2014

Student Activity	Fund Balance July 1, 2013	Receipts	Disbursements	Transfers	Fund Balance June 30, 2014
Academic Challenge	97	494	71	0	520
Activity Fees	607	22,213	22,597	(162)	61
Art Club	142	7	0	0	149
Athletics	15,460	28,919	30,618	(150)	13,611
Athletics, Boys' Bball	1,029	969	1,286	100	812
Athletics, Football	581	610	555	100	736
Athletics, Girls' Bball	2,230	951	1,316	100	1,965
Athletics, Golf	253	0	45	200	408
Athletics, Tennis	489	511	447	100	653
Athletics, Track	728	1,552	1,627	200	853
Athletics, Volleyball	557	1	0	100	658
Athletics, Weight Room	762	1	0	0	763
Athletics, Wrestling	140	0	235	100	5
Band	1,431	4,782	4,239	0	1,974
Band, 6th Grade	544	494	360	0	678
5th & 6th Grade Bball	146	601	500	(3)	244
BPA	301	851	1,030	575	697
Cheerleaders	3,064	2,147	2,306	748	3,653
Chorus	853	2,382	1,857	0	1,378
Class of 2012	42	0	0	(42)	0
Class of 2013	310	0	0	(310)	0
Class of 2014	1,587	102	1,744	56	1
Class of 2015	1,612	1,029	1,237	255	1,659
Class of 2016	1,585	583	327	587	2,428
Class of 2017	92	0	33	509	568
Class of 2018	640	3,275	2,039	196	2,072
Class of 2019	0	805	227	(196)	382
Concessions	3,223	38,728	27,198	(11,409)	3,344
Subtotal	<u>38,505</u>	<u>112,007</u>	<u>101,894</u>	<u>(8,346)</u>	<u>40,272</u>



## SUPPLEMENTAL INFORMATION - CONTINUED

### EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2014

Student Activity	Fund Balance July 1, 2013	Receipts	Disbursements	Transfers	Fund Balance June 30, 2014
Subtotal from previous page	38,505	112,007	101,894	(8,346)	40,272
DC Trip	230	27,394	29,025	2,755	1,354
Elementary Choir	198	0	40	0	158
FFA	9,003	29,433	40,360	1,924	0
Library, High School	319	48	20	(185)	162
Home Economics	0	492	268	(198)	26
National Honor Society	985	1,273	1,175	269	1,352
International Travel Club	2,578	9,301	13,921	2,042	0
Journalism	15,372	6,370	5,392	0	16,350
Junior High St. Council	69	1,239	1,196	(22)	90
Leadership	122	0	0	0	122
Meadowlark	10,624	16,399	15,380	463	12,106
Meadowlark Special Fd.	514	1	62	(30)	423
Library, Meadowlark	627	5,295	5,143	150	929
Miscellaneous	319	5,790	5,631	166	644
Pep Band	2,066	604	1,290	829	2,209
Pep Club	4,249	5,977	8,449	0	1,777
Scholarship Fund	0	1,400	1,100	0	300
School Play	263	0	0	0	263
Speech and Drama	5,170	10	0	0	5,180
Student Council	2,614	3,302	3,614	254	2,556
Student of the Month	836	2	0	0	838
Tournament	13,468	11,570	7,097	(71)	17,870
Uniform Fund	3,955	7	300	0	3,662
<b>Totals</b>	<b>112,086</b>	<b>237,914</b>	<b>241,357</b>	<b>0</b>	<b>108,643</b>



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## SUPPLEMENTAL INFORMATION - CONTINUED

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### SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

Grade	Fall		Winter		Spring	
	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record
K-6	200	200	197	197	194	194
7-8	51	51	51	51	52	52
9-12	142	142	139	139	136	136
Totals	<u>393</u>	<u>393</u>	<u>387</u>	<u>387</u>	<u>382</u>	<u>382</u>





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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***

December 31, 2014

Board of Trustees  
Chinook Public School District No. 10  
Shepherd, Montana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chinook Public School District No. 10 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Chinook Public School District No. 10's basic financial statements, and have issued our report thereon dated December 31, 2014.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Chinook Public School District No. 10'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 Chinook Public School District No. 10's internal control. Accordingly, we do not express an opinion on the effectiveness of Chinook Public School District No. 10's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Chinook Public School District No. 10'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.

*Galusha, Higgins & Galusha, PC*

GALUSHA, HIGGINS & GALUSHA, PC  
Billings, Montana

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## SUPPLEMENTAL INFORMATION - CONTINUED

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### SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

#### Section I – Summary of Auditor’s Results

##### Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes        X   No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

#### Section II - Financial Statement Findings

None

#### Section III – Auditees Summary Schedule of Prior Audit Findings

2013-001    Implemented.

2013-002    Implemented.

