

HELENA FLATS PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

HELENA FLATS PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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HELENA FLATS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Kevin Fritz	Chairperson
Dave Mattson	Vice Chairperson
KaiEllen Bucher	Trustee
Judi Hewitt	Trustee
Keith Nelson	Trustee

DISTRICT OFFICIALS

Daniel Anderson	District Superintendent
Tonnie Decker	Business Manager
Marcia Sheffels	County Superintendent
Ed Corrigan	County Attorney

**Helena Flats School District 15
Management Discussion & Analysis
School Year 2013-2014**

Board of Trustees
Helena Flats Public School
Flathead County
Kalispell, MT 59901

This report will not only provide an overview of the District's financial activities for the year ending June 30, 2014 but also includes a comparative analysis of the subsequent year ending June 30, 2013.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information, on Governmental Activities. The financial statements, include information on the District's Net Position and Changes in Net Position. They provide information about the activities of the District as a whole and presents a long-term view of the District's finances.

FINANCIAL HIGHLIGHTS

There was an increase of approximately \$24,800 in the general fund budget for the fiscal year ending June 30, 2014. The increase was used for salaries, benefits and maintenance. The increases are shown under the program expenses, in the Changes in Net Position report.

The increase shown in operating grants and contributions is from the Altacare program, for at risk students. The District is a fiscal host for the agency and collects the revenues from the State of Montana to pay the agency. Although the expenses and revenues are recorded on the District financials, they do not impact or change the net financial position of the District.

The overall change in net position was largely due to a mandate to reduce retirement reserves from 35% to 20%. The district was required to provide Montana Teachers' Retirement with \$26,136, which is 47% of the overall net change in position.

Changes in Net Position

Governmental Activities	<u>FY14</u>	<u>FY13</u>	<u>change Inc/(Dec)</u>
<u>Program Revenues</u>			
Charges for Services	\$ 11,304.00	\$ 11,470.00	\$ (166.00)
Operating Grants and Contributions	299,921.00	201,577.00	98,344.00
Capital Grants and Contributions		43,837.00	(43,837.00)
<u>General Revenues</u>			
Property taxes for general purposes	453,312.00	486,484.00	(33,172.00)
Grants & Entitlements not restricted	971,390.00	920,006.00	51,384.00
investment earnings	2,665.00	2,685.00	(20.00)
Miscellaneous	444.00	865.00	(421.00)
State Entitlement	61,473.00	105,863.00	(44,390.00)
County Retirement	170,779.00	<u>142,801.00</u>	<u>27,978.00</u>
Total Revenues	<u>1,971,288.00</u>	<u>1,915,588.00</u>	<u>55,700.00</u>
<u>Program Expenses</u>			
Instructional-regular	\$1,075,939.00	\$1,080,268.00	(4,329.00)
Instructional-special ed.	108,669.00	97,519.00	11,150.00
Supporting Services-operation & maintenance	173,895.00	171,786.00	2,109.00
Supporting Services-general	132,032.00	93,182.00	38,850.00
Supporting Services-educational media services	97,272.00	95,077.00	2,195.00
Administration-general	159,531.00	164,514.00	(4,983.00)
Administration-business	54,559.00	58,445.00	(3,886.00)
Student Transportation	9,351.00	6,678.00	2,673.00
Extracurricular	12,601.00	14,141.00	(1,540.00)
School Food	19,046.00	25,338.00	(6,292.00)
Debt Service	76,354.00	80,391.00	(4,037.00)
Unallocated depreciation	81,061.00	81,061.00	-
Other Current Charges	<u>\$26,136.00</u>		<u>26,136.00</u>
Total Expenses	<u>\$2,026,445.00</u>	<u>\$ 1,968,400.00</u>	<u>\$58,045.00</u>
Increase (decrease) in net position	<u>\$(55,157.00)</u>	<u>\$ (52,812.00)</u>	<u>\$(2,345.00)</u>

Statement of Net Position:

The portion of the change in net position was from the depreciation of fixed assets. In the current year the phone system, playground equipment and bus were depreciated out. Assets that were added included a new copier and a floor scrubber. The interest on the Bond payment continues to decline, leaving a larger portion to be paid to the principal also impact the long-term debt. As of June 30, 2014 the District also reduced its long term debt with the termination payout of the Superintendent and a tenured Teacher.

Governmental Activities	<u>FY14</u>	<u>FY13</u>	<u>change Inc./Dec</u>
Current and other assets	\$514,398.00	533,652.00	(19,254.00)
Capital assets	2,596,584.00	2,673,520.00	(76,936.00)
Total assets	<u>3,110,982.00</u>	<u>\$3,207,172.00</u>	<u>(96,190.00)</u>
Long-term debt outstanding	\$2,011,065.00	2,052,115.00	(41,050.00)
Other Liabilities	\$ 26.00	-	\$ 26.00
Total liabilities	<u>\$2,011,091.00</u>	<u>2,052,115.00</u>	<u>(40,998.00)</u>
Net Investment in capital assets	806,593.00	783,520.00	23,073.00
Restricted	270,174.00	308,430.00	(38,256.00)
Unrestricted	23,133.00	63,107.00	(39,974.00)
Total net position	<u>\$1,099,900.00</u>	<u>\$1,155,057.00</u>	<u>(55,157.00)</u>

THE DISTRICT AS A WHOLE

The District had minimal fund balance changes and should not see much change for the coming year. Since the District is not planning any building projects or significant purchases, most of the changes to the fixed assets will come from depreciation and small equipment purchases.

With an increase in kindergarten enrollment, the District applied and received a budget amendment for additional staffing and supplies. In the past the District was able to hold a firm 10% in general fund reserves, as the enrollment and budget increase it may take several years to get the reserves back to the full 10%.

THE FUTURE OF THE DISTRICT

As the economy continues to improve, the District is projecting additional homes being built in subdivisions that started to be established before the housing market declined. With the increase in homes being built, the District is anticipating student enrollment to climb.

There has been brief discussion on how many students our current building can accommodate. What and how to prepare for future growth.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional information, contact the District Clerk's office at Helena Flats School No.15, 1000 Helena Flats Road, Kalispell, and MT 59901, 406-257-2301.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Helena Flats Public School
Flathead County
Kalispell, 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 Helena Flats Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Helena Flats Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Helena Flats Public School, Flathead County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 4, 31 through 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Helena Flats Public School, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Helena Flats Public School, Flathead County, Montana's internal control over financial reporting and compliance.

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

June 15, 2015

Helena Flats Public School, Flathead County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	430,753
Taxes and assessments receivable, net		52,906
Due from other governments		29,013
Inventories		1,726
Total current assets	\$	514,398
Noncurrent assets		
Capital assets - land	\$	42,345
Capital assets - depreciable, net		2,554,248
Total noncurrent assets	\$	2,596,593
Total assets	\$	3,110,991
LIABILITIES		
Current liabilities		
Due to other governments	\$	26
Current portion of long-term capital liabilities		105,000
Current portion of compensated absences payable		25,565
Total current liabilities	\$	130,591
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	101,855
Noncurrent portion of long-term capital liabilities		1,685,000
Noncurrent portion of compensated absences		93,645
Total noncurrent liabilities	\$	1,880,500
Total liabilities	\$	2,011,091
NET POSITION		
Net investment in capital assets	\$	806,593
Restricted for capital projects		5,369
Restricted for debt service		157,063
Restricted for special projects		107,742
Unrestricted		23,133
Total net position	\$	1,099,900

See accompanying Notes to the Financial Statements

Helena Flats Public School, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>			<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
<u>Primary government:</u>	<u>Expenses</u>			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:					<u>Governmental Activities</u>	
Instructional - regular	\$ 1,075,939	\$	400	\$	112,682	\$ (962,857)
Instructional - special education	108,669		-		48,535	(60,134)
Supporting services - operations & maintenance	173,895		-		-	(173,895)
Supporting services - general	132,032		-		132,032	-
Supporting services - educational media services	97,272		-		6,672	(90,600)
Administration - general	159,531		-		-	(159,531)
Administration - business	54,559		-		-	(54,559)
Student transportation	9,351		-		-	(9,351)
Extracurricular	12,601		-		-	(12,601)
School food	19,046		10,904		-	(8,142)
Debt service expense - interest	76,354		-		-	(76,354)
Unallocated depreciation*	81,060		-		-	(81,060)
Other current charges	26,136		-		-	(26,136)
Total primary government	\$ 2,026,445	\$	11,304	\$	299,921	\$ (1,715,220)
General Revenues:						
Property taxes for general purposes					\$	453,312
Grants and entitlements not restricted to specific programs						971,390
Investment earnings						2,665
Miscellaneous (other revenue)						444
State entitlement (block grants)						61,473
County retirement						170,779
Total general revenues, special items and transfers					\$	1,660,063
Change in net position					\$	(55,157)
Net position - beginning					\$	1,155,057
Net position - end					\$	1,099,900

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

Helena Flats Public School, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Retirement	Miscellaneous Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 205,799	\$ 60,737	\$ (104)	\$ 139,745	\$ 24,576	\$ 430,753
Taxes and assessments receivable, net	36,673	-	-	14,256	1,977	52,906
Due from other governments	-	-	29,013	-	-	29,013
Inventories	1,726	-	-	-	-	1,726
Total assets	\$ 244,198	\$ 60,737	\$ 28,909	\$ 154,001	\$ 26,553	\$ 514,398
Current liabilities:						
Due to other governments	\$ -	\$ 26	\$ -	\$ -	\$ -	\$ 26
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 36,673	\$ -	\$ -	\$ 14,256	\$ 1,977	\$ 52,906
FUND BALANCES						
Nonspendable	\$ 1,726	\$ -	\$ -	\$ -	\$ -	\$ 1,726
Restricted	-	60,711	28,909	139,745	24,695	254,060
Assigned	47,031	-	-	-	-	47,031
Unassigned fund balance	158,768	-	-	-	(119)	158,649
Total fund balance	\$ 207,525	\$ 60,711	\$ 28,909	\$ 139,745	\$ 24,576	\$ 461,466

See accompanying Notes to the Financial Statements

Helena Flats Public School, Flathead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 461,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,596,593
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	52,906
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,011,065)
Total net position - governmental activities	<u>\$ 1,099,900</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 338,563	\$ 222	\$ 7,416	\$ 104,845	\$ 30,705	\$ 481,751
County revenue	-	170,778	-	-	-	170,778
State revenue	1,043,094	-	132,032	36,931	2,795	1,214,852
Federal revenue	-	-	110,638	-	-	110,638
Total revenues	<u>\$ 1,381,657</u>	<u>\$ 171,000</u>	<u>\$ 250,086</u>	<u>\$ 141,776</u>	<u>\$ 33,500</u>	<u>\$ 1,978,019</u>
EXPENDITURES						
Instructional - regular	\$ 779,489	\$ 112,588	\$ 103,282	\$ -	\$ 14,262	\$ 1,009,621
Instructional - special education	84,667	9,625	4,784	-	9,593	108,669
Supporting services - operations & maintenance	168,414	4,434	-	-	-	172,848
Supporting services - general	-	-	132,032	-	-	132,032
Supporting services - educational media services	84,488	7,785	4,999	-	-	97,272
Administration - general	148,878	10,653	-	-	-	159,531
Administration - business	51,690	2,869	-	-	-	54,559
Student transportation	8,507	178	666	-	-	9,351
Extracurricular	12,046	555	-	-	-	12,601
School food	8,854	1,290	-	-	8,902	19,046
Debt service expense - principal	-	-	-	100,000	-	100,000
Debt service expense - interest	-	-	-	76,354	-	76,354
Capital outlay	12,548	-	-	-	-	12,548
Other current charges	-	26,136	-	-	-	26,136
Total expenditures	<u>\$ 1,359,581</u>	<u>\$ 176,113</u>	<u>\$ 245,763</u>	<u>\$ 176,354</u>	<u>\$ 32,757</u>	<u>\$ 1,990,568</u>
Net Change in Fund Balance	<u>\$ 22,076</u>	<u>\$ (5,113)</u>	<u>\$ 4,323</u>	<u>\$ (34,578)</u>	<u>\$ 743</u>	<u>\$ (12,549)</u>
Fund balances - beginning	\$ 185,449	\$ 65,824	\$ 24,586	\$ 174,323	\$ 23,833	\$ 474,015
Fund balance - ending	<u>\$ 207,525</u>	<u>\$ 60,711</u>	<u>\$ 28,909</u>	<u>\$ 139,745</u>	<u>\$ 24,576</u>	<u>\$ 461,466</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds \$ (12,549)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased 12,548
- Depreciation expense (89,475)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue) (6,731)

The change in compensated absences is shown as an expense in the Statement of Activities

(13,294)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments 100,000

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability (45,656)

Change in net position - Statement of Activities \$ (55,157)

See accompanying Notes to the Financial Statements

Helena Flats Public School, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 16,784	\$ 101,826
Due from others	-	298
Total assets	\$ 16,784	\$ 102,124
LIABILITIES		
Warrants payable	\$ -	\$ 65,030
Due to others	-	37,094
Total liabilities	\$ -	\$ 102,124
NET POSITION		
Assets held in trust	\$ 16,784	

See accompanying Notes to the Financial Statements

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

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	12,892
Total additions	\$	<u>12,892</u>
 DEDUCTIONS		
Student activities	\$	12,140
Total deductions	\$	<u>12,140</u>
Change in net position	\$	<u>752</u>
 Net Position - Beginning of the year	 \$	 16,032
 Net Position - End of the year	 \$	 <u><u>16,784</u></u>

See accompanying Notes to the Financial Statements

HELENA FLATS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the Entity complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Entity.

Primary Government

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100.

HELENA FLATS PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

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Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

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

Retirement Fund – Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation and Social Security, which is funded by a countywide levy for retirement.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Debt Service Fund – Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purpose provided in Section 20-0-403(c) and (d), MCA

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds

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Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2014, consisted of time deposits, Federal Home Loan Bank investments, Federal National Mortgage Association investments, Federal Home Loan Mortgage Association investments, Federal Agriculture Mortgage Association investments, Federal Home Mortgage Association investments, and U.S. Government Securities.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 South Main, Kalispell, MT 59901. Fair value approximates carrying value for investments as of June 30, 2014.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District’s deposit balance and the bank balance at year end was \$16,784. The District’s deposits were fully insured by FDIC at year end.

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NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

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

NOTE 4. INVENTORIES

The costs of inventories are recorded as an expenditure when purchased. At year-end, if the value of inventory is significant, it must be recorded as an asset.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	20 years
Equipment	5 – 15 years

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

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

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 42,345	\$ -	\$ 42,345
Other capital assets:			
Buildings	\$ 2,964,915	\$ -	\$ 2,964,915
Improvements other than buildings	422,706	-	422,706
Machinery and equipment	<u>176,688</u>	<u>12,548</u>	<u>189,236</u>
Total other capital assets at historical cost	\$ 3,564,309	\$ 12,548	\$ 3,576,857
Less: accumulated depreciation	\$ (933,134)	\$ (89,475)	\$ (1,022,609)
Total	<u>\$ 2,673,520</u>	<u>\$ (76,927)</u>	<u>\$ 2,596,593</u>

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

Governmental Activities:	
Instructional – regular	\$ 7,368
Supporting services – operations and maintenance	1,047
Unallocated	<u>81,060</u>
Total governmental activities depreciation expense	<u>\$ 89,475</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

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	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 1,890,000	\$ -	\$ (100,000)	\$ 1,790,000	\$ 105,000
Compensated absences	105,916	13,294	-	119,210	25,565
Other post-employment benefits*	56,199	45,656	-	101,855	-
Total	<u>\$ 2,052,115</u>	<u>\$ 58,950</u>	<u>\$ (100,000)</u>	<u>\$ 2,011,065</u>	<u>\$ 130,565</u>

*See Note 7

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

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Building Bond, Series 2007	3/28/07	3.85-4.375%	20 yrs	7/1/27	\$ <u>2,380,000</u>	Varies	\$ <u>1,790,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 105,000	\$ 71,804
2016	110,000	67,342
2017	115,000	62,666
2018	120,000	57,634
2019	125,000	53,014
2020	130,000	48,202
2021	135,000	43,198
2022	140,000	38,000
2023	150,000	32,400
2024	155,000	26,400
2025	160,000	20,200
2026	170,000	13,800
2027	175,000	7,000
Total	<u>\$ 1,790,000</u>	<u>\$ 541,660</u>

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Compensated Absences

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

Each teacher will be granted 12 days per year, accumulative to 110 days. Teachers will receive 25% compensation of unused cumulative sick leave after five years of service in the district. Sick leave compensation will be due the teacher upon resignation or retirement from the District.

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

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

Actuarial Accrued Liability (AAL)	\$	328,291
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	328,291
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	1,053,704
UAAL as a percentage of covered payroll		31.16%

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Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	45,656
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	45,656
Contributions made		-
Increase in net OPEB obligation	\$	45,656
Net OPEB obligation - beginning of year		56,199
Net OPEB obligation - end of year	\$	101,855

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.34%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2012	3.80%
2013	4.00%
2014	7.80%
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and thereafter	6.90%

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NOTE 8. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

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

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

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

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

	<u>PERS</u>	<u>TRS</u>
2012	\$ 8,068	\$ 64,297
2013	\$ 8,580	\$ 66,051
2014	\$ 9,685	\$ 76,929

NOTE 9. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403b. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For assigned fund balance the body or official authorized to assign amounts to a specific purpose is the District Clerk and the policy established by the government body pursuant to which that authorization is given is board policy manual.

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

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

Nonspendable Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ <u>1,726</u>	Inventories

HELENA FLATS PUBLIC SCHOOL
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Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Retirement	\$ 60,711	Employer cost of benefits
Miscellaneous Programs	28,909	Third party grantor requirements
Debt Service	139,745	Debt service
All other aggregate:		
	5,364	Capital projects
	3,062	Debt service
	5,509	Instructional – regular
	2,449	School food
	<u>8,311</u>	Transportation
	<u>\$ 254,060</u>	

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	<u>\$ 47,031</u>

NOTE 11. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
Tuition	\$ <u>(119)</u>	Expenditures exceeded revenues	Future revenues

NOTE 12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$6,177 for fiscal year ended June 30, 2013. Separate financial statements are available from the Flathead County Education Cooperative.

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The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on ANB. Each District is charge a fee for each student participating in the program. For the fiscal year ended June 30, 2013, the District did not have participating students.

The District, along with other school districts, entered into a Multi-District/Interlocal Cooperative Agreement to create a multi-district or interlocal cooperative to allow the participants to cooperate and jointly fund certain services, activities and undertakings deemed beneficial by the participating Districts. The consortium has a Steering Committee consisting of up to 8 Superintendents or their designee.

The District is a member of the Flathead County Program of Students with Severe Communications Disorders. This program is a collaborative effort by the school districts of Flathead County to meet the needs to students who have severe communication needs with accompanying behavior and learning difficulties. The goal of the program is to provide a positive environment to meet the unique needs of children and adolescents in these areas. The collaborative effort allows resources to be shared reducing the fiscal impact of these services on each district individually. The member districts provide fiscal responsibility to the Host District which is the Flathead Special Education Cooperative in the form of a participation and placement fees, and special education tuition. The Special Education Directors from the participating districts serve as the Advisory Board for the program, and are responsible for monitoring the program's compliance with Montana and Federal rules and regulations including all special education law.

NOTE 13. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

HELENA FLATS PUBLIC SCHOOL
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NOTE 14. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Helena Flats Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 341,812	\$ 341,812	\$ 338,475	\$ (3,337)
County revenue	-	-	-	-
State revenue	<u>1,036,142</u>	<u>1,036,142</u>	<u>1,036,142</u>	<u>-</u>
Amounts available for appropriation	<u>\$ 1,377,954</u>	<u>\$ 1,377,954</u>	<u>\$ 1,374,617</u>	<u>\$ (3,337)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 790,208	\$ 790,208	\$ 787,900	\$ 2,308
Instructional - special education	83,239	83,239	84,792	(1,553)
Supporting services - operations & maintenance	182,476	182,476	174,226	8,250
Supporting services - general	-	-	-	-
Supporting services - educational media services	84,542	84,542	84,392	150
Administration - general	149,141	149,141	150,321	(1,180)
Administration - business	51,925	51,925	51,690	235
Student transportation	6,150	6,150	10,058	(3,908)
Extracurricular	12,750	12,750	16,546	(3,796)
School food	13,940	13,940	8,854	5,086
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	7,300	7,300	12,548	(5,248)
Other current charges	-	-	-	-
Total charges to appropriations	<u>\$ 1,381,671</u>	<u>\$ 1,381,671</u>	<u>\$ 1,381,327</u>	<u>\$ 344</u>
Net change in fund balance			<u>\$ (6,710)</u>	
Fund balance - beginning of the year			<u>\$ 145,592</u>	
Fund balance - end of the year			<u><u>\$ 138,882</u></u>	

Helena Flats Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 250	\$ 250	\$ 222	\$ (28)
County revenue	172,052	172,052	170,778	(1,274)
State revenue	-	-	-	-
Amounts available for appropriation	\$ 172,302	\$ 172,302	\$ 171,000	\$ (1,302)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ 112,588	\$ (112,588)
Instructional - special education	-	-	9,625	(9,625)
Supporting services - operations & maintenance	-	-	4,434	(4,434)
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	7,785	(7,785)
Administration - general	-	-	10,653	(10,653)
Administration - business	-	-	2,869	(2,869)
Student transportation	-	-	178	(178)
Extracurricular	-	-	555	(555)
School food	-	-	1,290	(1,290)
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	198,438	198,438	26,136	172,302
Total charges to appropriations	\$ 198,438	\$ 198,438	\$ 176,113	\$ 22,325
Net change in fund balance			\$ (5,113)	
Fund balance - beginning of the year			\$ 65,824	
Fund balance - end of the year			\$ 60,711	

Helena Flats Public School, Flathead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Retirement
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,374,617	\$ 171,000
Combined funds (GASBS 54) revenues	7,040	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 1,381,657	\$ 171,000
Uses/Outflows of resources		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,381,327	\$ 176,113
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
- Encumbrances reported at the beginning of the year	25,285	-
- Encumbrances reported at the end of the year	(47,031)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,359,581	\$ 176,113

Note B

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

Helena Flats Public School, Flathead County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 22,310	\$ 22,310	0%	\$ 1,042,964	2.14%
July 1, 2012	\$ -	\$ 328,291	\$ 328,291	0%	\$ 1,053,704	31.16%

SUPPLEMENTAL INFORMATION

**Helena Flats Public School
Flathead County
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014**

Fall Enrollment - October, 2013

Elementary School District

	FALL	Audit Per	Difference
	Per Enrollment	District Records	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	23	23	0
Kindergarten Part	0	0	0
Grades 1-6	135	135	0
Grades 7-8	43	43	0
Total Elementary	201	201	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	1	2	0	0	1	2	0

**Helena Flats Public School
Flathead County
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014**

Winter Enrollment - December, 2013

Elementary School District

	WINTER		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	22	22	0
Kindergarten Part	0	0	0
Grades 1-6	132	132	0
Grades 7-8	41	41	0
Total Elementary	195	195	0

Part-time Students

Grade	Per Enrollment Reports					Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr		< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0		0	0	0	0	0
Kinder - Part	0	0	N/A	N/A		0	0	N/A	N/A	0
1-6	0	0	0	0		0	0	0	0	0
7-8	0	0	0	2		0	0	0	2	0

**Helena Flats Public School
Flathead County
SCHEDULE OF ENROLLMENT - Continued
For the Fiscal Year Ended June 30, 2014**

Spring Enrollment - February, 2014

Elementary School District

	SPRING		
	Per Enrollment Reports	Audit Per District Records	Difference
Kindergarten - Full	20	20	0
Kindergarten - Part	0	0	0
Grades 1-6	129	129	0
Grades 7-8	41	41	0
Total Elementary	190	190	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	1	1	0	0	1	1	0

Helena Flats Public School, Flathead County
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2014

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Annuals	\$ 1,397	\$ 1,317	\$ 2,352	\$ 362
Band	607	791	143	1,255
History Trip	8,676	42	-	8,718
Library	650	2,673	2,532	791
Misc. Student Account	1,699	5,384	5,221	1,862
Science Fair	564	-	18	546
Student Council	2,084	38	-	2,122
Tournament	117	2,614	1,875	856
Total	<u>\$ 15,794</u>	<u>\$ 12,859</u>	<u>\$ 12,141</u>	<u>\$ 16,512</u>

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

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

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

Board of Trustees
Helena Flats Public School
Flathead County
Kalispell, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Helena Flats Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Helena Flats Public School's basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Helena Flats Public School, Flathead County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Helena Flats Public School, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Helena Flats Public School's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Helena Flats Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item 2014-001.

2014-001 Instructional Hours

Condition:

The District only provided 932 hours of instruction for fourth grade, which is less than the minimum requirement of 1,080 for fourth grade.

Context:

We obtained FY2014 bell schedules for each grade level and calculated the instructional minutes per day. By multiplying the daily instructional minutes for each grade by the 172 instructional days and divided by 60 (to convert to hours), we obtained the total number of instructional hours per year for each grade.

Criteria:

Montana Codes Annotated (MCA) 20-7-117 requires that 1,080 hours of instruction be provided to students in grades 4-12.

Effect:

The District was not in compliance with Section 20-7-117, MCA.

Cause:

Adequate instructional minutes per day were not provided for the 4th grade to meet the 1,080 hour requirement.

Recommendation:

The District immediately review the schools bell schedules and calendar for fiscal year 2015 and adjust the remainder of the year to ensure that fiscal year 2015 is in compliance. In addition, the bell schedule and calendar for future years should be monitored to ensure compliance.

Auditee Response:

After reviewing the current schedule, the Helena Flats School Administrator put into place a plan to increase the instructional minutes for the 4th grade.

The audit finding for the June 30, 2014, insufficient instructional hours for the 4th grade, will be corrected with an earlier start time, a reduction in recess minutes and a shorter lunch period.

Helena Flats Public School's Response to Findings

Helena Flats Public School's response to the findings identified in our audit is described above. Helena Flats Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Denning, Downey and Associates, CPA's, P.C.

June 15, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Helena Flats Public School
Flathead County
Kalispell, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Unreported Agency Funds	Implemented

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

June 15, 2015