

PHILIPSBURG PUBLIC SCHOOLS

GRANITE COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

PHILIPSBURG PUBLIC SCHOOLS

GRANITE COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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PHILIPSBURG PUBLIC SCHOOLS

GRANITE COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Kim Pawlak
Sara Rouse
Michael Sauer
Robert Garlati
Clark Ward

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Mike Cutler
Linda Graham
Vicki Harding
Blaine C. Bradshaw

District Superintendent
Business Manager
County Superintendent
County Attorney

MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2014

The Superintendent and Business Manager/Clerk of the Philipsburg School District No. 1 have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

FINANCIAL HIGHLIGHTS

- The net position for all governmental activities were \$3,185,266
- The total fiscal year end governmental fund balance was \$662,763
- The unassigned general fund balance at fiscal yearend was \$206,579

USING THIS FINANCIAL REPORT

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The **Statement of Net Position**, shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The **Statement of Activities** shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities divided the activities of the school district into three categories:

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

Proprietary (business-type) activities – Currently, Philipsburg School District #1 does not operate any proprietary activities.

Reporting the District's Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are shown for proprietary (business-type) funds, covering district activities that generally provide services on a cost-recovery basis between various funds of the district. Proprietary funds use the accrual basis of accounting. Currently Philipsburg School District does not operate any proprietary funds.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for: the private purpose trust (endowment) fund; the payroll clearing fund, the claims clearing fund; the Cafeteria/COBRA insurance funds; and the student activity fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The budgetary comparison schedule (below) shows actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the original and final expenditure budget and the final budget and actual expenditures.

Philipsburg Public School, Granite County, Montana
 BUDGETARY COMPARISON SCHEDULE
 June 30, 2014

General Fund				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Resources (inflows)				
Local revenue	\$ 695,740	\$ 695,740	\$ 696,162	\$ 422
State revenue	989,134	989,134	989,134	-
Amounts available for appropriations	\$ 1,684,874	\$ 1,684,874	\$ 1,685,296	\$ 422
Charges to Appropriations (outflows)				
Instructional – regular	\$ 781,912	\$ 781,912	\$ 762,279	\$ 19,633
Instructional – special education	102,694	102,694	104,087	(1,393)
Instructional – vocational education	85,327	85,327	82,787	2540
Supporting services – operations & maintenance	313,103	313,103	239,144	73,959
Supporting services - general	50,374	50,374	51,130	(756)
Supporting services – educational media services	19,350	19,350	14,276	5,074
Administration – general	62,468	62,468	52,968	9,500
Administration – school	57,870	57,870	64,080	(6,210)
Administration – finance	63,984	63,984	64,665	(681)
Student Transportation	-	-	469	(469)
Extracurricular	87,900	87,900	108,537	(20,637)
School Food	28,100	28,100	33,158	(5,058)
Debt Service expense-principal	54,417	54,417	51,597	2,820
Debt Service expense-Interest	-	-	2,459	(2,459)
Capital Outlay	-	-	112,650	(112,650)
Total Charges to appropriations	\$ 1,707,499	\$ 1,707,499	\$ 1,744,286	\$ (36,787)
Other Financing Sources (uses)				
Proceeds of general long term debt			\$ 37,235	\$ 37,235
Transfers out			\$ (138)	\$ (138)
Total other Financing Sources			\$ 37,097	\$ 37,097
Net change in fund balance			\$ (21,893)	
Budgetary Fund Balance – June 30, 2014			\$ 175,648	

Statement of Net Position

Net Position over time may serve useful as an indicator of a government's financial position. The net position for the fiscal year ending June 30, 2014 are \$3,185,266 (assets exceed liabilities).

The District's investment in capital assets, land, buildings, equipment and vehicles, represents the largest portion of net position, being slightly larger than cash, investments, and other current assets. These assets are used to provide services to the students in the Philipsburg School District and are not available for future spending. The District's investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities 2013	Governmental Activities 2014	Total Change
Current and other assets	\$ 683,144	\$ 745,409	\$ 62,265
Capital assets	4,111,479	4,038,016	(73,463)
Total assets	\$ 4,794,623	\$ 4,783,425	\$ (126,556)
Long-term debt outstanding	\$ 1,306,039	\$ 1,406,943	\$ 100,904
Other Liabilities	227,127	191,216	(35,911)
Total liabilities	\$ 1,533,166	\$ 1,598,159	\$ 64,993
Net position	\$ 3,261,457	\$ 3,185,266	\$ (76,191)
Net investment in capital assets	\$ 3,461,371	\$ 3,519,882	\$ 58,511
Restricted	\$ 402,580	\$ 482,280	\$ 79,700
Unrestricted	\$ (602,494)	\$ (816,896)	\$ (214,402)

General and Program Revenues

The Net Position in governmental activities decreased by \$76,191 during fiscal year 2014. General revenues of \$2,303,326 provided 83% of total revenues, the largest portion. Charges for services of \$45,089 (school foods & Driver Ed.) provided for approximately 2% of the total revenues. Program revenues for operating grants of \$413,255 include grants from Federal and State sources and provided for 15% of the total revenues.

Changes in Net Position

	Governmental Activities	Governmental Activities
Revenues	2013	2014
Program revenues:		
Charges for services	\$ 38,079	\$ 45,089
Operating grants and contributions	446,903	413,255
General Revenues:		
Property Taxes	953,114	1,018,635
Grants & Entitlements, not restricted to any program	779,281	837,188
Investment Earnings	936	480
State Entitlement (block grants)	130,659	130,659
Technology State	1,576	3,267
County Retirement	198,349	256,898
Other General Revenues	46,312	56,199
Total Revenues	\$ 2,595,209	\$ 2,761,670
Program expenses		
Regular programs	\$ 1,227,442	\$ 1,312,543
Special programs	140,400	133,243
Vocational programs	92,991	95,498
Adult education programs	4,423	-
Other programs	104,986	75,948
Operation and maintenance	251,462	254,611
Student Transportation	171,329	185,064
Administration	263,926	271,692
Extracurricular	89,689	117,770
School Food	121,322	118,580
Community Services-Counseling	142,199	139,925
Interest expense	1,219	2,629
Unallocated depreciation	134,823	138,280
Total expenses	\$ 2,746,121	\$ 2,845,783
Excess (deficiency) before special Items and transfers	\$ (150,912)	\$ (84,113)
Increase (decrease) in net position	\$ (150,912)	\$ (84,113)

Spending Levels Compared to Resource Levels

Expenditures supported with General Revenues (taxes and sources for general school use) were \$2,303,326 and comprised 80% of the total expenditures related to governmental activities. Expenditures supported with Program Revenues were \$458,344 and comprised 20% of the total expenditures related to governmental activities. Total General and Program Revenues were less than Governmental expenditures by \$84,113.

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the school district, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the district’s financial situation in the future. Historical information from one or more prior years is shown to illustrate trends, problems, and achievement of the District’s goals.

School Operations

Philipsburg School District No. 1 encompasses grades kindergarten through twelve, with an approximate enrollment of 184. In addition to providing instructional services to students, the District also provides transportation, food, adult education, traffic education, and special education services. In an effort to enhance services to students, the District also participates in a number of federal programs. The District obtained “School-Wide” status for the Title I Program, thus broadening its ability to meet the needs of all students.

Resources

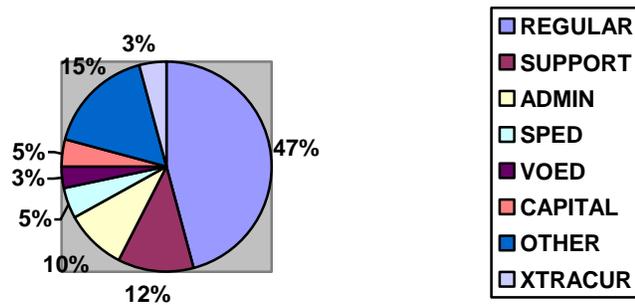
The two primary resources (inflows) that fund the school’s operations are local revenues (property tax) and state revenues. Federal revenues and fees for services are other resources. Enrollment in the District has been declining. The table below displays the trend.

GENERAL FUND

YEAR	ENROLLMENT	LOCAL TAXES	% OF TOTAL REVENUE	STATE FUNDING	% OF TOTAL REVENUE
2003-2004	215	\$604,761	43%	\$808,441	57%
2004-2005	214	\$569,379	42%	\$808,721	58%
2005-2006	206	\$611,497	43%	\$838,574	57%
2006-2007	186	\$620,441	42%	\$869,013	58%
2007-2008	180	\$629,291	41%	\$903,773	59%
2008-2009	170	\$713,607	45%	\$885,395	55%
2009-2010	180	\$634,686	42%	\$873,888	58%
2010-2011	175	\$675,357	42%	\$903,458	58%
2011-2012	174	\$696,150	44%	\$881,996	56%
2012-2013	184	\$690,047	43%	\$944,507	57%
2013-2014	170	\$696,191	42%	\$997,886	58%

Expenditures

Total outflows of the District were \$2,845,783. Regular instruction services cost the District \$1,312,543 and accounted for the majority outflows at 47%. Supporting services, such as, operation & maintenance, counseling, and educational media services accounted for 12% of the total outflows at \$330,559. Administrative costs were \$271,692 and accounted for 10% of the outflows. Other outflows were as follows: Adult Education - \$0; Special Education – \$133,243 5%; Vocational Education - \$95,498, 3%; extra-curricular activities - \$117,770, 3%; School Food Services - \$118,580, 4%; Student Transportation - \$185,064, 6%; Debt Service principal and interest - \$171,838, 5%; Other to include counseling services reimbursed by Medicaid - \$139,925 5%. Capital Outlay – Includes a new roof liner on south portion of high school roof, new hot water heater and a new school car.



Capital Assets and Debt

Philipsburg School District's investment in capital assets as of June 30, 2014 was in the amount of \$4,038,016 (net of accumulated depreciation). The investment in capital assets includes land, buildings, buses, equipment, and building improvements. Philipsburg Elementary School is the oldest operating school in the State of Montana, however the condition of the building was deteriorating and certain areas were deemed unsafe. On September 30, 2003, the District passed a \$2,000,000 bond levy for the purpose of renovating, restoring, and repairing the elementary school building. Non-interest bearing Qualified Zone Academy Bonds (QZAB) were issued to finance the building project. Construction of the project began in June 2004 and the scheduled completion date was January 2005. Debt service payments are made annually with the first principal payment due on December 10, 2004 and final payment scheduled for December 8, 2017.

Future Outlook

Energy costs have increased substantially over the course of the past few years. In an attempt to curb this trend, the District constructed and installed a new state of the art biomass system in fiscal year 2004-2005. A portion of the financing sources to fund the project was obtained from an Intercap Loan through the State of Montana. Principal and interest expenses will accrue in fiscal year 2006. The final payment for this Intercap Loan is scheduled for FY 2015. The District anticipates the savings in fuel costs will offset the financing costs. A steady decline in enrollment the past 10 years has forced the District to come up with ideas and solutions for funding to maintain its teachers and current programs as in the past.

Contact Information

The School District's financial statements are designed to provide users with a general overview of the school's finances and to demonstrate the school's accountability. Questions concerning any of the information presented in this report or requesting additional information should be sent to the Philipsburg School District's Business Management Office at the following address: P.O. Box 400, Philipsburg, MT 59858.

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
Philipsburg Public Schools
Granite County
Philipsburg, 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 Philipsburg Public Schools, Granite 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 Philipsburg Public Schools, Granite 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 Philipsburg Public Schools, Granite 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 8, 36 through 39, and 40 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 22, 2015, on our consideration of the Philipsburg Public Schools, Granite 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 Philipsburg Public Schools, Granite County, Montana's internal control over financial reporting and compliance.

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

June 22, 2015

Philipsburg Public School, Granite County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	651,919
Taxes and assessments receivable, net		82,646
Due from other governments		10,844
Total current assets	\$	745,409
Noncurrent assets		
Capital assets - land	\$	14,375
Capital assets - depreciable, net		4,035,641
Total noncurrent assets	\$	4,050,016
Total assets	\$	4,795,425
LIABILITIES		
Current liabilities		
Current portion of long-term capital liabilities	\$	147,601
Current portion of compensated absences payable		28,215
Total current liabilities	\$	175,816
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	822,842
Noncurrent portion of long-term capital liabilities		370,268
Noncurrent portion of compensated absences		37,752
Unamortized bond premium		191,216
Total noncurrent liabilities	\$	1,422,078
Total liabilities	\$	1,597,894
NET POSITION		
Net investment in capital assets	\$	3,532,147
Restricted for capital projects		159,893
Restricted for debt service		21,826
Restricted for special projects		300,561
Unrestricted		(816,896)
Total net position	\$	3,197,531

See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Primary government:				
Governmental activities:				
Instructional - regular	\$ 1,312,543	\$ 4,550	\$ 109,650	\$ (1,198,343)
Instructional - special education	133,243	-	177,587	44,344
Instructional - vocational education	95,498	-	-	(95,498)
Supporting services - operations & maintenance	254,611	-	-	(254,611)
Supporting services - general	59,457	-	656	(58,801)
Supporting services - educational media services	16,491	-	-	(16,491)
Administration - general	79,843	-	-	(79,843)
Administration - school	110,871	-	35,418	(75,453)
Administration - business	80,978	-	-	(80,978)
Student transportation	185,064	-	51,706	(133,358)
Extracurricular	117,770	-	-	(117,770)
School food	118,580	40,539	38,238	(39,803)
Community services	139,925	-	-	(139,925)
Debt service expense - interest	2,364	-	-	(2,364)
Unallocated depreciation*	138,280	-	-	(138,280)
Total primary government	\$ <u>2,845,518</u>	\$ <u>45,089</u>	\$ <u>413,255</u>	\$ <u>(2,387,174)</u>
General Revenues:				
Property taxes for general purposes			\$	1,018,635
Grants and entitlements not restricted to specific programs				837,188
Investment earnings				480
Miscellaneous (other revenue)				32,288
State entitlement (block grants)				130,659
State technology				3,267
County retirement				256,898
Amortized bond premium				35,911
Total general revenues, special items and transfers			\$	<u>2,315,326</u>
Change in net position			\$	<u>(71,848)</u>
Net position - beginning			\$	3,261,457
Restatements				7,922
Net position - beginning - restated			\$	<u>3,269,379</u>
Net position - end			\$	<u><u>3,197,531</u></u>

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

Philipsburg Public School, Granite County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 206,579	\$ 67,030	\$ 153,904	\$ 115,506	\$ 66,156	\$ 498	\$ 42,246	\$ 651,919
Taxes and assessments receivable, net	56,550	8,304	5,989	-	-	9,090	2,713	82,646
Due from other governments	-	-	-	-	9,444	-	1,400	10,844
Total assets	<u>\$ 263,129</u>	<u>\$ 75,334</u>	<u>\$ 159,893</u>	<u>\$ 115,506</u>	<u>\$ 75,600</u>	<u>\$ 9,588</u>	<u>\$ 46,359</u>	<u>\$ 745,409</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	<u>\$ 56,550</u>	<u>\$ 8,304</u>	<u>\$ 5,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,090</u>	<u>\$ 2,713</u>	<u>\$ 82,646</u>
FUND BALANCES								
Restricted	\$ -	\$ 67,030	\$ 153,904	\$ 115,506	\$ 75,600	\$ 498	\$ 43,646	\$ 456,184
Unassigned fund balance	<u>206,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,579</u>
Total fund balance	<u>\$ 206,579</u>	<u>\$ 67,030</u>	<u>\$ 153,904</u>	<u>\$ 115,506</u>	<u>\$ 75,600</u>	<u>\$ 498</u>	<u>\$ 43,646</u>	<u>\$ 662,763</u>

See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 662,763
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,050,016
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.	82,646
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,597,894)
Total net position - governmental activities	\$ <u>3,197,531</u>

See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite 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>Transportation</u>	<u>Bus Depreciation</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	\$ 696,191	\$ 112,473	\$ 71,426	\$ -	\$ 19,164	\$ 110,236	\$ 78,254	\$ 1,087,744
County revenue	-	25,853	-	256,898	-	-	-	282,751
State revenue	997,886	30,958	-	-	149,421	-	5,213	1,183,478
Federal revenue	-	-	-	-	137,346	-	37,692	175,038
Total revenues	<u>\$ 1,694,077</u>	<u>\$ 169,284</u>	<u>\$ 71,426</u>	<u>\$ 256,898</u>	<u>\$ 305,931</u>	<u>\$ 110,236</u>	<u>\$ 121,159</u>	<u>\$ 2,729,011</u>
EXPENDITURES								
Instructional - regular	\$ 762,279	\$ -	\$ -	\$ 153,054	\$ 127,052	\$ -	\$ 26,314	\$ 1,068,699
Instructional - special education	104,087	-	-	19,712	9,444	-	-	133,243
Instructional - vocational education	82,787	-	-	11,549	1,162	-	-	95,498
Supporting services - operations & maintenance	239,144	-	-	13,548	-	-	-	252,692
Supporting services - general	51,130	-	-	7,671	656	-	-	59,457
Supporting services - educational media services	14,276	-	-	2,215	-	-	-	16,491
Administration - general	52,968	17,901	-	8,974	-	-	-	79,843
Administration - school	66,580	-	-	8,256	35,418	-	-	110,254
Administration - business	64,665	10,072	-	6,241	-	-	-	80,978
Student transportation	469	125,889	2,835	5,642	-	-	-	134,835
Extracurricular	108,537	-	-	9,233	-	-	-	117,770
School food	33,158	-	-	5,990	-	-	79,432	118,580
Community services	-	-	-	-	139,925	-	-	139,925
Debt service expense - principal	51,862	-	-	-	-	116,888	724	169,474
Debt service expense - interest	2,194	-	-	-	-	25	145	2,364
Capital outlay	112,650	-	-	-	-	-	7,976	120,626
Total expenditures	<u>\$ 1,746,786</u>	<u>\$ 153,862</u>	<u>\$ 2,835</u>	<u>\$ 252,085</u>	<u>\$ 313,657</u>	<u>\$ 116,913</u>	<u>\$ 114,591</u>	<u>\$ 2,700,729</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (52,709)</u>	<u>\$ 15,422</u>	<u>\$ 68,591</u>	<u>\$ 4,813</u>	<u>\$ (7,726)</u>	<u>\$ (6,677)</u>	<u>\$ 6,568</u>	<u>\$ 28,282</u>
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ 37,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,235
Transfers in	-	-	-	-	-	-	138	138
Transfers out	(138)	-	-	-	-	-	-	(138)
Total other financing sources (uses)	<u>\$ 37,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 37,235</u>
Net Change in Fund Balance	<u>\$ (15,612)</u>	<u>\$ 15,422</u>	<u>\$ 68,591</u>	<u>\$ 4,813</u>	<u>\$ (7,726)</u>	<u>\$ (6,677)</u>	<u>\$ 6,706</u>	<u>\$ 65,517</u>
Fund balances - beginning	\$ 222,191	\$ 51,608	\$ 85,313	\$ 110,693	\$ 83,326	\$ 7,175	\$ 36,940	\$ 597,246
Fund balance - ending	<u>\$ 206,579</u>	<u>\$ 67,030</u>	<u>\$ 153,904</u>	<u>\$ 115,506</u>	<u>\$ 75,600</u>	<u>\$ 498</u>	<u>\$ 43,646</u>	<u>\$ 662,763</u>

See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite 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 \$ 65,517

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	120,626
- Depreciation expense	(202,011)

In the Statement of Activities, the gain from the donation of capital assets is recognized. The fund financial statements recognize only the revenue from these assets:

- Donated capital assets	12,000
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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)	(3,252)
--	---------

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

(25,631)

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	169,474
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Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(37,235)
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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	(207,247)
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Amortization of bond premium is not reported on the Statement of Revenues, Expenditures and changes in Fund Balance	35,911
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Change in net position - Statement of Activities	\$ <u><u>(71,848)</u></u>
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See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 95,080	\$ 211,547
Total assets	\$ 95,080	\$ 211,547
LIABILITIES		
Warrants payable	\$ -	\$ 204,873
Due to others	-	6,674
Total liabilities	\$ -	\$ 211,547
NET POSITION		
Assets held in trust	\$ 95,080	

See accompanying Notes to the Financial Statements

Philipsburg Public School, Granite 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:		
Contributions from private sources	\$	20,251
Student activities		142,552
Total contributions	\$	<u>162,803</u>
Investment earnings:	\$	<u>355</u>
Net investment earnings	\$	<u>355</u>
Total additions	\$	<u>163,158</u>
 DEDUCTIONS		
Student activities	\$	125,916
Student scholarships		13,841
Total deductions	\$	<u>139,757</u>
Change in net position	\$	<u>23,401</u>
 Net Position - Beginning of the year	 \$	 71,679
 Net Position - End of the year	 \$	 <u><u>95,080</u></u>

See accompanying Notes to the Financial Statements

PHILIPSBURG PUBLIC SCHOOLS
GRANITE 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 District 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 District.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District provides education from kindergarten through the twelfth 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 and has no component units.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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, the governmental 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.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Bus Depreciation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district.

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, Social Security and Medicare. 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.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 position. The fiduciary funds are:

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

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

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 certificates of deposit and the State Short-Term Investment Pool (STIP).

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 Granite County deposits and investments is available from Granite County Treasurer's office, 220 N. Sansome, Philipsburg, Montana, 59859-0925. Fair value approximates carrying value for investments as of June 30, 2014. The Granite County investment pool is not rated.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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 at year end was \$48,148 and the bank balance was \$50,710. The District's deposits at year-end were 100% insured by FDIC.

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 expenditure when purchased.

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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	10 – 25 years
Machinery and Equipment	8 – 20 years

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 no infrastructure to include in 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:

Governmental activities:

	Balance July 1, 2013	Additions	Donations	Deletions	Restatements	Balance June 30, 2014
Capital assets not being depreciated:						
Land	\$ 14,375	\$ -	\$ -	\$ -	\$ -	\$ 14,375
Other capital assets:						
Buildings	\$ 6,532,606	\$ 83,391	\$ 12,000	\$ -	\$ -	\$ 6,627,997
Machinery and equipment	763,623	42,381	-	(41,154)	7,751	772,601
Total other capital assets at historical cost	\$ 7,296,229	\$ 125,772	\$ 12,000	\$ (41,154)	\$ 7,751	\$ 7,400,598
Less: accumulated depreciation	\$ (3,199,125)	\$ (202,011)	\$ -	\$ 36,008	\$ 171	\$ (3,364,957)
Total	<u>\$ 4,111,479</u>	<u>\$ (76,239)</u>	<u>\$ 12,000</u>	<u>\$ (5,146)</u>	<u>\$ 7,922</u>	<u>\$ 4,050,016</u>

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

Governmental Activities:	
Instructional – regular	\$ 10,966
Supporting services – operations and maintenance	1,919
Administration – school	617
Student transportation	50,229
Unallocated	138,280
Total governmental activities depreciation expense	<u>\$ 202,011</u>

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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 amortized over the life of the loan.

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:

Governmental Activities:

	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	\$ 584,421	\$ -	\$ (116,889)	\$ 467,532	\$ 116,889
Compensated absences	40,336	25,630	-	65,966	28,215
Intercap loans	65,687	-	(43,947)	21,740	21,740
Capital leases	-	37,235	(8,638)	28,597	8,972
Other post-employment benefits*	615,595	207,247	-	822,842	-
Total	<u>\$ 1,306,039</u>	<u>\$ 270,112</u>	<u>\$ (169,474)</u>	<u>\$ 1,406,677</u>	<u>\$ 175,816</u>

*See Note X

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>
QZAB school renovation	12/10/03	0.00%	14 yrs	12/10/17	<u>\$ 2,000,000</u>	Varies	<u>\$ 467,532</u>

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 116,889	\$ 40,522
2016	116,889	45,281
2017	116,889	50,172
2018	116,865	55,241
Total	<u>\$ 467,532</u>	<u>\$ 191,216</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans 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>Balance June 30, 2014</u>
Biomass heating system	8/13/04	1.0-4.85%	10 yrs	8/15/14	\$ <u>355,000</u>	\$ <u>21,740</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 21,740	\$ 110
Total	<u>\$ 21,740</u>	<u>\$ 110</u>

Capital Leases

The District has entered into a lease which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Capitalized Original Cost</u>	<u>Less: Accumulated Amortization</u>	<u>Net Value</u>	<u>Remaining Payments as of June 30, 2014</u>
2013 Ford Expedition	8/2/13	5.95%	\$ <u>47,205</u>	\$ <u>18,608</u>	\$ <u>28,597</u>	\$ <u>28,597</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 8,972	\$ 1,460
2016	8,710	911
2017	<u>10,915</u>	<u>328</u>
Total	<u>\$ 28,597</u>	<u>\$ 2,699</u>

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.

Full-time teachers earn up to a maximum of two sick days leave per month up to a maximum of 18 days per year. Sick leave may accumulate up to 100 days. Teachers who terminate employment will be paid \$20 a day for unused sick leave.

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.

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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)	\$ 1,080,692
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,080,692</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,228,463
UAAL as a percentage of covered payroll	87.97%

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)	\$ 207,247
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>\$ 207,247</u>
Contributions made	-
Increase in net OPEB obligation	\$ 207,247
Net OPEB obligation - beginning of year	<u>615,595</u>
Net OPEB obligation - end of year	<u>\$ 822,842</u>

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	.17%
Average salary increase (Consumer Price Index)	2.00%

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2014	7.8%
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2014:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
To maintain appropriate fund balance	Compensated Absences – Nonmajor Governmental	General – Major Governmental	\$ <u>138</u>

NOTE 9. 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.

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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.

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	\$ 12,208	\$	81,828
2013	\$ 13,025	\$	81,971
2014	\$ 15,128	\$	100,301

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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.

PHILIPSBURG PUBLIC SCHOOLS
 GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 67,030	Student transportation services
Bus Depreciation	153,904	Bus replacement
Retirement	115,506	Employer costs of employee benefits
Miscellaneous Programs	75,600	Third party grant restrictions
Debt Service	498	Debt service
All Other Aggregate:	1,782	Student food services
	9,694	Adult education services
	1,441	Student instructional services
	12,238	Future vacation and sick leave payments
	<u>18,491</u>	Future technology upgrades
	<u>\$ 456,184</u>	

NOTE 11. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	\$ <u>7,922</u>	Capital asset adjustment

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 a member of the Great Divide Education Cooperative. The Cooperative is comprised of 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 services. Every year each member district appoints a member to the Joint Advisory Board. From this board a seven-member management council is elected to administrate the Cooperative. The County Superintendent of Schools is the prime fiscal agent. District contributed \$7,326 to the Cooperative for fiscal year ended June 30, 2014. Separate financial statements are available from the Great Divide Education Cooperative.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 13. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Granite 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.

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.

PHILIPSBURG PUBLIC SCHOOLS
GRANITE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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**

Philipsburg Public School, Granite County
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 695,740	\$ 695,740	\$ 696,162	\$ 422
County revenue	-	-	-	-
State revenue	989,134	989,134	989,134	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 1,684,874</u>	<u>\$ 1,684,874</u>	<u>\$ 1,685,296</u>	<u>\$ 422</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 867,239	\$ 867,239	\$ 762,279	\$ 104,960
Instructional - special education	102,694	102,694	104,087	(1,393)
Instructional - vocational education	-	-	82,787	(82,787)
Supporting services - operations & maintenance	313,103	313,103	239,144	73,959
Supporting services - general	50,374	50,374	51,130	(756)
Supporting services - educational media services	19,350	19,350	14,276	5,074
Administration - general	62,468	62,468	52,968	9,500
Administration - school	57,870	57,870	64,080	(6,210)
Administration - business	63,984	63,984	64,665	(681)
Student transportation	-	-	469	(469)
Extracurricular	87,900	87,900	108,537	(20,637)
School food	28,100	28,100	33,158	(5,058)
Community services	-	-	-	-
Debt service expense - principal	54,417	54,417	51,597	2,820
Debt service expense - interest	-	-	2,459	(2,459)
Capital outlay	-	-	112,650	(112,650)
Total charges to appropriations	<u>\$ 1,707,499</u>	<u>\$ 1,707,499</u>	<u>\$ 1,744,286</u>	<u>\$ (36,787)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 37,235	\$ 37,235
Transfers out	-	-	(138)	(138)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,097</u>	<u>\$ 37,097</u>
Net change in fund balance			<u>\$ (21,893)</u>	
Fund balance - beginning of the year			<u>\$ 197,541</u>	
Fund balance - end of the year			<u><u>\$ 175,648</u></u>	

Philipsburg Public School, Granite County
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Transportation			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 112,228	\$ 112,228	\$ 112,473	\$ 245
County revenue	27,119	27,119	25,853	(1,266)
State revenue	32,224	32,224	30,958	(1,266)
Federal revenue	-	-	-	-
Amounts available for appropriation	\$ 171,571	\$ 171,571	\$ 169,284	\$ (2,287)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	18,422	18,422	17,901	521
Administration - school	-	-	-	-
Administration - business	10,560	10,560	10,072	488
Student transportation	157,000	157,000	125,889	31,111
Extracurricular	-	-	-	-
School food	-	-	-	-
Community services	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	\$ 185,982	\$ 185,982	\$ 153,862	\$ 32,120
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ 15,422	
Fund balance - beginning of the year			\$ 51,608	
Fund balance - end of the year			\$ 67,030	

Philipsburg Public School, Granite County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ -	\$ -	\$ -
County revenue	256,898	256,898	256,898	-
State revenue	-	-	-	-
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 256,898</u>	<u>\$ 256,898</u>	<u>\$ 256,898</u>	<u>\$ -</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 198,567	\$ 198,567	\$ 153,054	\$ 45,513
Instructional - special education	21,825	21,825	19,712	2,113
Instructional - vocational education	-	-	11,549	(11,549)
Supporting services - operations & maintenance	14,820	14,820	13,548	1,272
Supporting services - general	8,670	8,670	7,671	999
Supporting services - educational media services	3,340	3,340	2,215	1,125
Administration - general	11,920	11,920	8,974	2,946
Administration - school	8,744	8,744	8,256	488
Administration - business	6,920	6,920	6,241	679
Student transportation	11,670	11,670	5,642	6,028
Extracurricular	12,150	12,150	9,233	2,917
School food	7,700	7,700	5,990	1,710
Community services	-	-	-	-
Debt service expense - principal	-	-	-	-
Debt service expense - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 306,326</u>	<u>\$ 306,326</u>	<u>\$ 252,085</u>	<u>\$ 54,241</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 4,813</u>	
Fund balance - beginning of the year			<u>\$ 110,693</u>	
Fund balance - end of the year			<u><u>\$ 115,506</u></u>	

**Philipsburg Public School, Granite County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Transportation</u>	<u>Retirement</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,685,296	\$ 169,284	\$ 256,898
Combined funds (GASBS 54) revenues	8,781	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,694,077</u>	<u>\$ 169,284</u>	<u>\$ 256,898</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,744,286	\$ 153,862	\$ 252,085
Combined funds (GASBS 54) expenditures	2,500	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,746,786</u>	<u>\$ 153,862</u>	<u>\$ 252,085</u>

Note B

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

Philpsburg Public School, Granite County, Montana
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	\$ -	\$ 903,731	\$ 903,731	0%	\$ 1,206,333	75%
July 1, 2012	\$ -	\$ 1,080,692	\$ 1,080,692	0%	\$ 1,228,463	88%

SUPPLEMENTAL INFORMATION

**Philipsburg Public School
Granite County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014**

Fall Enrollment - October, 2013

Elementary School District

	FALL Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten Full	8	8	0
Grades 1-6	66	66	0
Grades 7-8	29	29	0
Total Elementary	103	103	0

High School District

	FALL Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	63	63	0
19 year-olds	1	1	0

Winter Enrollment - December, 2013

Elementary School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten Full	9	9	0
Grades 1-6	67	67	0
Grades 7-8	28	28	0
Total Elementary	104	104	0

High School District

	WINTER Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	66	66	0
19 year-olds	1	1	0

Spring Enrollment - February, 2014

Elementary School District

	SPRING Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Kindergarten - Full	11	11	0
Grades 1-6	69	69	0
Grades 7-8	29	26	-3
Total Elementary	109	106	-3

High School District

	SPRING Per Enrollment <u>Reports</u>	Audit Per <u>District Records</u>	<u>Difference</u>
Grades 9-12	66	66	0
19 year-olds	1	1	0

Philipsburg Public School
Granite County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
21ST CENTURY INCOME	\$ 20	\$ -	\$ -	\$ -	\$ 20
7TH GRADE	813	-	-	(813)	-
8TH GRADE	9	1,557	1,370	804	1,000
BUSINESS ED	209	-	-	-	209
CHEERLEADERS	2	-	-	-	2
CLOSE-UP/SMITHSONIAN	3,585	56,823	60,998	-	(590)
DISTRICT 13C BASKETBALL	-	10,620	10,620	-	-
DISTRICT VOLLEYBALL	-	4,945	4,945	-	-
ELEMENTARY GENERAL	123	3,578	3,221	-	480
ELEMENTARY STUDENT COUNCIL	1,562	-	440	-	1,122
FOOTBALL	529	3,566	4,121	-	(26)
FRESHMAN	701	540	110	(692)	439
GHS HAT FUND	409	289	-	-	698
G-CLUB	4,076	2,052	1,585	-	4,543
GYM FUND	326	945	748	(326)	197
HIGH SCHOOL BASKETBALL	5,285	5,257	6,454	-	4,088
HIGH SCHOOL GENERAL FUND	1,276	265	535	-	1,006
HISTORY FUND	127	76	70	-	133
HOLIDAY FUND	-	16,708	364	-	16,344
JMG FUND	256	173	429	-	-
JUNIOR HIGH BOYS ATHLETIC	54	766	260	-	560
JUNIOR HIGH GIRLS ATHLETIC	447	774	360	-	861
JUNIORS	2,057	1,499	2,177	(212)	1,167
MBI	1,912	2,235	2,250	-	1,897
MISSOULA CHILDREN'S THEATER	2,047	799	630	-	2,216
MUSIC & DRAMA	597	1,018	1,490	-	125
NATIONAL HONOR SOCIETY	211	100	190	-	121
OUTDOOR CLUB	53	-	-	-	53
PROM	540	510	-	(510)	540
ROCK WALL	-	-	-	625	625
SENIOR CLASS	300	250	1,513	1,758	795
SHOP	1,778	7,099	2,518	(289)	6,070
SOPHOMORES	1,336	2,139	1,061	(345)	2,069
STUDENT COUNCIL	2	3,745	3,969	-	(222)
TENNIS	-	406	264	-	142
TRACK	127	679	792	-	14
VOLLEYBALL	-	8,550	7,428	-	1,122
WRESTLING	614	1,920	2,534	-	-
YEARBOOK	129	2,669	2,470	-	328
Total	\$ <u>31,512</u>	\$ <u>142,552</u>	\$ <u>125,916</u>	\$ <u>-</u>	\$ <u>48,148</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
Philipsburg Public Schools
Granite County
Philipsburg, 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 Philipsburg Public Schools, Granite County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Philipsburg Public Schools' basic financial statements and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Philipsburg Public Schools, Granite 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 Philipsburg Public Schools, Granite County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Philipsburg Public Schools' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider significant deficiencies listed as items 2014-001 and 2014-002.

2014-001 Internal Controls Over Cash Reporting (Repeat of finding 13-1)

Condition:

1. Extracurricular: Supporting documentation/appropriate signatures was not always present.
2. School Food: Cash was kept on hand for periods longer than 30 days before deposit to the county treasurer.

Context:

We selected the month of September 2013 to review internal control documentation over extracurricular and we reviewed 10 receipts to determine average deposit time on school food.

Criteria:

Good internal controls would ensure all receipts have adequate supporting documentation, cash is counted by two people and timely deposits are being made.

Effect:

Not all receipts had adequate supporting documentation or appropriate signatures and timely deposits were not being made.

Cause:

Lack of internal controls ensuring all receipts have adequate documentation, two cash counters and timely deposit.

Recommendation:

We recommend the District establish internal controls to ensure all receipts have adequate documentation, cash is always counted by two people at the end of the event and timely deposits are being made.

Auditee Response:

1. The District has been depositing lunch receipts on a weekly basis for some time and will continue to do so.
2. The District will instruct all advisors/teachers to make sure that two people count and sign their name on the cash counting/reconciling receipt.

2014-002 Credit Card Internal Controls (repeat of prior year finding 13-2)

Condition:

During our review of internal control over credit cards, we noted that the credit card check out procedures do not include pre-approval of items to be purchased.

Context:

During the course of our audit several credit card purchases were reviewed with our samples. We also inquired with the District Clerk.

Criteria:

Strong internal controls over disbursements require that all disbursements be reviewed and approved prior to the purchase being made. This helps to ensure compliance with budgets and other possible restrictions of funding sources.

Effect:

By not having a purchase approval process on credit cards, the District risks expenditures which are not in compliance with funding sources or which are over budget.

Cause:

Credit cards can be checked out without specific approval of the transactions which are going to occur with those cards.

Recommendation:

We recommend that the District implement a pre-approval process for use of a credit card much in the same way that there is a pre-approval process for all checks or warrants which will be written by the District. In this way, the District can better monitor all purchases for compliance with budgets or other regulations before the purchases occur.

Auditee Response:

The District Clerk will require purchase orders be signed by the Superintendent, Principal or District Clerk for every credit card purchase. The individual making the purchase will also be required to sign the purchase order.

Compliance and Other Matters

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

Philipsburg Public Schools's Response to Findings

Philipsburg Public Schools's response to the findings identified in our audit is described above. Philipsburg Public Schools'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 22, 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
Philipsburg Public Schools
Granite County
Philipsburg, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Credit Card Controls	Repeated
School Food Receipting	Repeated

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

June 22, 2015