

CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-6
Independent Auditor's Report	7-9
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	10
Statement of Activities	11
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Fiduciary Fund Types	16
Statement of Changes in Net Position - Fiduciary Fund Types	17
Notes to Financial Statements	18-33
Required Supplemental Information	
Budgetary Comparison Schedule	34-36
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	37
Supplemental Information	
Schedule of Enrollment	38-40
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	41
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	42-44
Report on Prior Audit Recommendations	45

CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Kevin Fox	Chairperson
Jason Rausch	Vice Chairperson
Pam Skonord	Trustee
Doug Tu	Trustee
Jack Thatcher	Trustee

DISTRICT OFFICIALS

Amy Piazzola	District Superintendent
Heather Mumby	Business Manager
Marcia Sheffels	County Superintendent
Ed Corrigan	County Attorney

Cayuse Prairie School, District #10
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014

The Superintendent and the Clerk of Cayuse Prairie School District #10 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 fiscal year ended June 30, 2014.

Financial Highlights

The net position for the school district saw a slight decrease from FY13 to FY14. This is largely due to a decrease in capital assets and an increase in long-term liabilities. The overall decrease from FY13 to FY14 was \$973. Program expenses increase significantly due to an increase in staff. Whereas administrative costs went down due to the hiring of a new administrator.

Using This Financial Report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB 34). 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. For Cayuse Prairie School, the General Fund is by far the most significant fund.
- B. The Statement of Activities identifies the amounts of program-specific and general school district revenues used to support the school district’s various functions. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

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

1. 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.
2. Proprietary (business-type) Activities: The district does not have any proprietary funds at this time.

3. Trust & Fiduciary Responsibilities: The district is the trustee for the student extra-curricular fund. This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used to their intended purposes. The district also uses an internal payroll and claims clearing fund.

4. Component Units: The district does not presently act as a fiscal host for any cooperative.

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 combines 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 set of financial statements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds (which reflect most of the district's financial activity) such as the general funds, special revenue funds for transportation and school food service, and debt service or capital outlay funds.

These funds use the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of the school district's general governmental operations and the basic services it provides.

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.

Budget-to-Actual Comparisons

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund during the school year ended June 30, 2014.

The following significant variances between the final expenditure budget and the actual expenditures exist:

- a. General Regular Instruction had an increase of \$8,168. This was largely due to the increase in salaries and instructional supplies from FY13 to FY14.

- b. Special Education Instruction has a decrease of \$860.
- c. General Supporting Services increased \$101. This was largely due to salaries and independent contracting services.
- d. General Operation and Maintenance remained steady with very little variance.
- e. Transportation fund remained steady with very little variance.
- f. School Food or the Milk Program remained steady with very little variance.
- g. Debt Service Principal and Interest remained steady with no variance.

The District as a Whole

Net position may serve over time as a useful indicator of a government's financial position. Cayuse Prairie School District, assets exceeded liabilities by \$1,801,207 as of June 30, 2014. Most of the district's net position reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment.) Most of the district's budget power needs to be utilized for current salaries and maintenance costs as well as budgeting for payouts of unused vacation and sick leave.

Cayuse Prairie School, Flathead County, Montana
Statement of Net Position Table 1
June 30, 2014

	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 827,592	\$ 752,768	\$ 74,824
Capital assets	<u>3,103,975</u>	<u>3,137,428</u>	<u>(33,453)</u>
Total assets	<u>\$ 3,931,567</u>	<u>\$ 3,890,196</u>	<u>\$ 41,371</u>
Long-term debt outstanding	\$ 2,130,115	\$ 2,087,722	\$ 42,393
Other liabilities	<u>245</u>	<u>294</u>	<u>(49)</u>
Total liabilities	<u>\$ 2,130,360</u>	<u>\$ 2,088,016</u>	<u>\$ 42,344</u>
Net position:			
Net investment in capital assets	\$ 1,153,975	\$ 1,187,428	\$ (33,453)
Restricted	713,540	636,408	77,132
Unrestricted (deficit)	<u>(66,308)</u>	<u>(21,656)</u>	<u>(43,312)</u>
Total net position	<u>\$ 1,801,207</u>	<u>\$ 1,802,180</u>	<u>\$ (973)</u>

The district's total net position for the fiscal year ended June 30, 2014 were \$1,801,207. This is a slight increase from the previous year.

Statement of Changes in Net Position Table 2
June 30, 2014

	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	27,473	3,635	23,838
Operating grants and contributions	236,626	254,161	(17,535)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	609,765	625,418	(15,653)
Grants & entitlements not restricted	877,649	820,188	57,461
Investment earnings	4018	3,626	392
Miscellaneous (other revenue)	48,149	5,791	42,358
State entitlement (block grants)	34,711	34,842	(131)
State technology	4,974	1,352	3,622
County retirement	177,221	175,956	1,265
Total revenues	<u>\$ 2,020,586</u>	<u>\$ 1,924,969</u>	<u>\$ 95,617</u>
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Program Expenses			
Instructional – regular	1,113,939	1,009,078	104,861
Instructional – special education	189,803	169,883	19,920
Supporting services – operations & maintenance	161,487	165,015	(3,528)
Supporting services – general	46,089	34,109	11,980
Supporting services – educational media services	77,451	71,159	6,292
Administration – general	164,530	167,357	(2,827)
Administration – school	---	5,444	(5,444)
Administration - business	59,558	51,875	7,683
Student transportation	102,177	99,702	2,475
Extracurricular	30,894	21,573	9,321
School food	6,241	5,854	387
Debt service expense - interest	25,850	25,850	---
Total expenses	<u>\$ 1,978,019</u>	<u>\$ 1,826,899</u>	<u>\$ 151,120</u>
Increase (decrease) in net position	<u>\$ 42,567</u>	<u>\$ 98,070</u>	<u>\$ (55,503)</u>

Capital Assets and Long-Term Debt

Capital Assets decreased slightly by \$33,453. The decrease was due to additions, retirements and depreciation. The District currently has \$3,103,975 in total capital assets.

Long-term debt includes a Quality Schools Construction Bond which the District received in 2010 for \$1,950,000. Long-term debt increased by \$42,393 due to Compensated Absences and Other Post Employment Benefits. Total debt for the District is \$2,130,115.

Analysis of Financial Information

The decrease in net position from FY13 to FY14 was predominately due to a decrease in revenues from grants and property taxes.

The District's Future

The district continues to see an increase in enrollment which has led to an increase in staff and the school has implemented a hot lunch program which will affect the net position for FY15.

Contact for additional Information

If you have questions about this report or need additional information, contact the District Clerk at the Cayuse Prairie School office, 897 Lake Blaine Road, Kalispell, MT 59901. (406-756-4560).

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
Cayuse Prairie 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 Cayuse Prairie 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 Cayuse Prairie Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Cayuse Prairie 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 6, 34 through 36, and 37 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 Cayuse Prairie 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 Cayuse Prairie Public School, Flathead County, Montana's internal control over financial reporting and compliance.

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

June 22, 2015

Cayuse Prairie Public School, Flathead County, Montana
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 301,892
Taxes and assessments receivable, net	16,799
Due from other governments	338
Total current assets	\$ 319,029
<hr/>	
Restricted cash and investments	\$ 508,563
Capital assets - land	\$ 57,250
Capital assets - construction in progress	51,257
Capital assets - depreciable, net	2,995,468
Total noncurrent assets	\$ 3,612,538
Total assets	\$ 3,931,567
LIABILITIES	
Current liabilities	
Accounts payable	\$ 245
Current portion of compensated absences payable	23,802
Total current liabilities	\$ 24,047
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	\$ 125,325
Noncurrent portion of long-term capital liabilities	1,950,000
Noncurrent portion of compensated absences	30,988
Total noncurrent liabilities	\$ 2,106,313
Total liabilities	\$ 2,130,360
NET POSITION	
Net investment in capital assets	\$ 1,153,975
Restricted for debt service	514,072
Restricted for special projects	199,468
Unrestricted	(66,308)
Total net position	\$ 1,801,207

See accompanying Notes to the Financial Statements

Cayuse Prairie 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</u> <u>Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants</u> <u>and Contributions</u>	<u>Primary Government</u> <u>Governmental Activities</u>
Primary government:				
Governmental activities:				
Instructional - regular	\$ 1,113,939	\$ -	\$ 160,763	\$ (953,176)
Instructional - special education	189,803	24,146	52,132	(113,525)
Supporting services - operations & maintenance	161,487	-	-	(161,487)
Supporting services - general	46,089	-	-	(46,089)
Supporting services - educational media services	77,451	-	-	(77,451)
Administration - general	164,530	-	-	(164,530)
Administration - business	59,558	-	-	(59,558)
Student transportation	102,177	-	18,856	(83,321)
Extracurricular	30,894	-	-	(30,894)
School food	6,241	3,327	4,875	1,961
Debt service expense - interest	<u>25,850</u>	-	-	<u>(25,850)</u>
Total governmental activities	\$ <u>1,978,019</u>	\$ <u>27,473</u>	\$ <u>236,626</u>	\$ <u>(1,713,920)</u>
 Total primary government	 \$ 1,978,019	 \$ 27,473	 \$ 236,626	 \$ (1,713,920)
 General Revenues:				
			\$	609,765
				877,649
				4,018
				48,149
				34,711
				4,974
				<u>177,221</u>
Total general revenues, special items and transfers			\$	<u>1,756,487</u>
Change in net position			\$	<u>42,567</u>
 Net position - beginning			\$	1,802,180
Restatements				<u>(43,540)</u>
Net position - beginning - restated			\$	<u>1,758,640</u>
 Net position - end			\$	<u><u>1,801,207</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

Cayuse Prairie Public School, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Transportation	Retirement	Miscellaneous Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 110,040	\$ 39,345	\$ 46,627	\$ 98,927	\$ -	\$ 6,953	\$ 301,892
Taxes and assessments receivable, net	10,880	2,756	-	-	2,959	204	16,799
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>338</u>	<u>-</u>	<u>-</u>	<u>338</u>
Total current assets	\$ <u>120,920</u>	\$ <u>42,101</u>	\$ <u>46,627</u>	\$ <u>99,265</u>	\$ <u>2,959</u>	\$ <u>7,157</u>	\$ <u>319,029</u>
Noncurrent assets:							
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 508,563	\$ -	\$ 508,563
Total noncurrent assets	\$ -	\$ -	\$ -	\$ -	\$ 508,563	\$ -	\$ 508,563
Total assets	\$ <u>120,920</u>	\$ <u>42,101</u>	\$ <u>46,627</u>	\$ <u>99,265</u>	\$ <u>511,522</u>	\$ <u>7,157</u>	\$ <u>827,592</u>
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 245	\$ -	\$ -	\$ 245
Total liabilities	\$ -	\$ -	\$ -	\$ 245	\$ -	\$ -	\$ 245
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	\$ <u>10,880</u>	\$ <u>2,756</u>	\$ -	\$ -	\$ 2,959	\$ 204	\$ 16,799
Total deferred inflows of resources	\$ <u>10,880</u>	\$ <u>2,756</u>	\$ -	\$ -	\$ 2,959	\$ 204	\$ 16,799
FUND BALANCES							
Restricted	\$ -	\$ 39,345	\$ 46,627	\$ 99,020	\$ 508,563	\$ 14,066	\$ 707,621
Unassigned fund balance	<u>110,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,113)</u>	<u>-</u>
	102,927	Total fund balance	\$ 110,040	\$ 39,345	\$ 46,627	\$ 99,020	\$ 508,563
	<u>6,953</u>	<u>\$ 810,548</u>					

See accompanying Notes to the Financial Statements

Cayuse Prairie 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	\$ 810,548
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,103,975
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.	16,799
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,130,115)
Total net position - governmental activities	<u>\$ 1,801,207</u>

See accompanying Notes to the Financial Statements

Cayuse Prairie 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>Transportation</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	\$ 395,584	\$ 103,081	\$ 256	\$ 72,537	\$ 111,890	\$ 12,505	\$ 695,853
County revenue	-	9,428	177,221	-	-	-	186,649
State revenue	947,135	13,985	-	1,923	16,761	2,814	982,618
Federal revenue	-	-	-	158,007	-	4,875	162,882
Total revenues	<u>\$ 1,342,719</u>	<u>\$ 126,494</u>	<u>\$ 177,477</u>	<u>\$ 232,467</u>	<u>\$ 128,651</u>	<u>\$ 20,194</u>	<u>\$ 2,028,002</u>
EXPENDITURES							
Instructional - regular	\$ 670,983	\$ -	\$ 144,427	\$ 168,790	\$ -	\$ 9,571	\$ 993,771
Instructional - special education	155,921	-	23,313	3,573	-	6,996	189,803
Supporting services - operations & maintenance	137,303	-	10,623	12,157	-	1,404	161,487
Supporting services - general	39,832	-	6,257	-	-	-	46,089
Supporting services - educational media services	67,133	-	10,073	245	-	-	77,451
Administration - general	133,798	14,440	15,517	775	-	-	164,530
Administration - business	44,397	8,994	6,167	-	-	-	59,558
Student transportation	-	102,177	-	-	-	-	102,177
Extracurricular	28,318	-	2,536	40	-	-	30,894
School food	-	-	-	-	-	6,241	6,241
Debt service expense - interest	-	-	-	-	25,850	-	25,850
Capital outlay	57,006	-	-	30,856	-	-	87,862
Total expenditures	<u>\$ 1,334,691</u>	<u>\$ 125,611</u>	<u>\$ 218,913</u>	<u>\$ 216,436</u>	<u>\$ 25,850</u>	<u>\$ 24,212</u>	<u>\$ 1,945,713</u>
Net Change in Fund Balance	<u>\$ 8,028</u>	<u>\$ 883</u>	<u>\$ (41,436)</u>	<u>\$ 16,031</u>	<u>\$ 102,801</u>	<u>\$ (4,018)</u>	<u>\$ 82,289</u>
Fund balances - beginning	\$ 102,012	\$ 38,462	\$ 88,063	\$ 82,989	\$ 405,762	\$ 10,971	\$ 728,259
Fund balance - ending	<u>\$ 110,040</u>	<u>\$ 39,345</u>	<u>\$ 46,627</u>	<u>\$ 99,020</u>	<u>\$ 508,563</u>	<u>\$ 6,953</u>	<u>\$ 810,548</u>

See accompanying Notes to the Financial Statements

**Cayuse Prairie 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 \$ 82,289

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 87,862
 - Depreciation expense (77,775)

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) (7,416)

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

(17,874)

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 (24,519)

Change in net position - Statement of Activities \$

42,567 See

accompanying Notes to the Financial Statements

Cayuse Prairie Public School, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ <u>31,046</u>	\$
	107,904 Total assets	\$ <u>31,046</u>
	\$ <u>107,904</u>	
LIABILITIES		
Warrants payable	\$ -	\$ <u>107,904</u>
Total liabilities	\$ -	\$ <u>107,904</u>
NET POSITION		
Assets held in trust	\$	
	31,046 See	

_____ accompanying Notes to the Financial Statements

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

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Student activities	\$ <u>22,028</u>
Total contributions	<u>22,028</u>
Total additions	\$ <u>22,028</u>
 DEDUCTIONS	
Student activities	\$ <u>15,326</u>
Total deductions	<u>15,326</u>
Change in net position	\$ <u>6,702</u>
Net Position - Beginning of the year	\$ 24,344
Net Position - End of the year	\$ <u><u>31,046</u></u>

See accompanying Notes to the Financial Statements

CAYUSE PRAIRIE 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 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 and has no component units.

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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD 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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD 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 - 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 – 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.

Retirement – Authorized by Section 20-9-501, MCA for the purpose of financing the employer's contribution to the Teacher's Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation and Social Security. Funded by a county-wide levy for retirement.

Miscellaneous Programs – 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 – Authorized by Section 90-3-438, MCA, for the purpose of paying interest and principal on outstanding bonds.

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:

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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 – 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 deposits, Federal Home Loan Bank investments, U.S. Government Securities, and Federal National Mortgage Association investments.

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 Street, 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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Deposits

The District's deposit balance at year end was \$31,046 and the bank balance was \$31,258. The District's deposits were fully insured by FDIC at year end.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2014.

<u>Description</u>	<u>Amount</u>
Bond Requirement	<u>\$508,563</u>

NOTE 4. 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, after the County Assessor delivers the taxable valuation information to the County, 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 5. INVENTORIES

The costs of inventories are recorded as an expenditure when purchased.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 6. 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 – 125 years
Improvements other than buildings	5 – 25 years
Machinery and Equipment	4 – 10 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:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Transfers / <u>Adjustments</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 57,250	\$ -	\$ -	\$ -	\$ 57,250
Construction in progress	<u>55,825</u>	<u>51,257</u>	<u>-</u>	<u>(55,825)</u>	<u>51,257</u>
Total capital assets not being depreciated	<u>\$ 113,075</u>	<u>\$ 51,257</u>	<u>\$ -</u>	<u>\$ (55,825)</u>	<u>\$ 108,507</u>
Other capital assets:					
Buildings	\$ 3,289,783	\$ -	\$ (20,246)	\$ -	\$ 3,269,537
Improvements other than buildings	236,462	36,605	(4,681)	55,825	324,211
Machinery and equipment	<u>143,915</u>	<u>-</u>	<u>(59,024)</u>	<u>33,222</u>	<u>118,113</u>
Total other capital assets at historical cost	\$ 3,670,160	\$ 36,605	\$ (83,951)	\$ 89,047	\$ 3,711,861
Less: accumulated depreciation	<u>(645,807)</u>	<u>(77,775)</u>	<u>83,951</u>	<u>(76,762)</u>	<u>(716,393)</u>
Total	<u>\$ 3,137,428</u>	<u>\$ 10,087</u>	<u>\$ -</u>	<u>\$ (43,540)</u>	<u>\$ 3,103,975</u>

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

Governmental Activities:	
Instructional – regular	<u>\$ 77,775</u>

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7. 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:

Governmental Activities:

	Balance Within <u>July 1, 2013</u> <u>2014</u>		Balance <u>Additions</u> <u>One Year</u>	Due <u>June 30,</u>
General Obligation Bonds, Series 2010 Qualified School Construction Bond	\$ 1,950,000	\$	\$ 1,950,000	\$ -
Compensated absences	36,916	17,874	54,790	23,802
Other post-employment benefits*	100,806	24,519	125,325	-
Total	<u>\$ 2,087,722</u>	<u>\$ 42,393</u>	<u>\$ 2,130,115</u>	<u>\$ 23,802</u>

*See Note 8

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

Qualified School Construction Bonds (QSCB) – Tax Credit Bond

On December 15, 2009, the Board of Trustees of the Cayuse Prairie School District adopted a resolution authorizing the issuance, sale and deliver of the District’s Taxable General Obligation Bonds, Series 2010 Qualified School Construction Bonds (Tax Credit Bonds) in the amount of \$1,950,000 for the purpose of paying the costs of construction of two new classrooms and a gym. The bonds shall mature on June 15, 2026 in the principal amount of \$1,950,000.

The QSC bonds are direct obligations and pledge the full faith and credit of the District. The QSC bonds outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination D</u> <u>ate</u>	<u>Interest R</u> <u>ate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Annual P</u> <u>ayment</u>	<u>Balance Ju</u> <u>ne 30, 2014</u>
QSC Bond Series 2010	01/28/2010	1.3%	16 yrs	6/15/2026	<u>\$1,950,000</u>	Varies	<u>\$ 1,950,000</u>

To provide for the payment of the principal amount of the bonds at maturity, the District, shall, on June 15 in each fiscal year, commencing on June 15, 2011 and ending on June

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

15, 2016, deposit the payments on the bonds with a registrar who will remit the payment

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

to the depository trust company together with the investment earnings on the Debt Service Account on hand on such date, will equal the sinking fund payment schedule for the bonds.

Interest on the bonds at the supplemental interest rate of 1.30% is payable semiannually on each June 15 and December 15, commencing December 15, 2010. Annually interest payments are set forth in the following table.

<u>Fiscal</u> <u>Year</u>	<u>Interest</u> <u>Payments</u>
2015	\$ 25,350
2016	25,350
2017	25,350
2018	25,350
2019	25,350
2020	25,350
2021	25,350
2022	25,350
2023	25,350
2024	25,350
2025	25,350
2026	<u>25,350</u>
Total	<u>\$ 304,200</u>

Pursuant to the Sinking Fund Agreement, the Treasurer will maintain the sinking fund payments, and investment earnings thereon, in a separate account within the Debt Service Account to be applied to the payment of the principal of the Bonds. The annual required payment in the sinking fund is \$121,875. As of June 30, 2014, the account balance of the sinking fund is \$508,563.

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.

Teachers are awarded fifteen days annually of sick leave and unused sick leave may accumulate to 75 days. Teachers are paid for 25% of unused sick leave only after five years of service with the District.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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

NOTE 8. 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)	\$	187,992
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	187,992
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	971,007
UAAL as a percentage of covered payroll		19%

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)	\$	24,519
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	24,519
Contributions made		-

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Increase in net OPEB obligation	\$	24,519
Net OPEB obligation - beginning of year		100,806
Net OPEB obligation - end of year	\$	125,325

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)		0.17%
Average salary increase (Consumer Price Index)		1.8%

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

<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 after	6.90%

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.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD 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	\$ 10,915	\$ 73,563
2013	\$ 11,542	\$ 67,491
2014	\$ 12,379	\$ 89,079

NOTE 10. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. 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.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For assigned fund balance the body or official authorized to assign amounts to a specific purpose is the Business Manager and the policy established by the governing body pursuant to which that authorization is given is Board Policy.

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.

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 39,345	Student transportation
Retirement	46,627	Employer costs of benefits
Miscellaneous Programs	99,020	Third party grantor requirements
Debt Service	508,563	Debt service
All other aggregate:		
	5,088	School food
	1,395	Operations and Maintenance
	2,550	Debt service
	<u>5,033</u>	Instruction - regular
	<u>\$ 707,621</u>	

NOTE 12. 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	\$ (7,113)	Error in budget preparation	Subsequent years tax revenues

NOTE 13. 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>
Government-wide	\$ <u>(43,540)</u>	Capital asset adjustment

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14. 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 Flathead Special Education Cooperative. The Cooperative is comprised of 16 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 four member Management Council is elected to administrate the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District's contribution to the Cooperative was \$3,573 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

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 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 or 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 Districts' contribution to the Cooperative was \$6,567 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

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

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

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 sever 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 charged a fee for each student participating in the program. For the fiscal year ended June 30, 2014, the District had two students participating.

The District is a host for the Cayuse Prairie Special Education Program for Students with Moderate/Severe Cognitive and or/Communication Disabilities. The goal of the program is to provide a positive environment to meet the unique needs of children and adolescents. This interlocal agreement began in the 2013-2014 school year. It currently has 8 member districts. The member districts provide fiscal responsibility to the host district which includes placement fees.

NOTE 15. 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.

NOTE 16. 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,

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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**

Cayuse Prairie Public School, Flathead County, Montana
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	\$ 393,258	\$ 393,258	\$ 395,584	\$ 2,326
County revenue	-	-	-	-
State revenue	<u>946,167</u>	<u>946,167</u>	<u>947,135</u>	<u>968</u>
Amounts available for appropriation	\$ <u>1,339,425</u>	\$ <u>1,339,425</u>	\$ <u>1,342,719</u>	\$ <u>3,294</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 662,815	\$ 662,815	\$ 670,983	\$ (8,168)
Instructional - special education	156,781	156,781	155,921	860
Supporting services - operations & maintenance	178,236	178,236	137,303	40,933
Supporting services - general	39,731	39,731	39,832	(101)
Supporting services - educational media services	64,774	64,774	67,133	(2,359)
Administration - general	150,444	150,444	133,798	16,646
Administration - business	44,644	44,644	44,397	247
Student transportation	-	-	-	-
Extracurricular	28,000	28,000	28,318	(318)
Capital outlay	-	-	57,006	(57,006)
Other current charges	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total charges to appropriations	\$ <u>1,339,425</u>	\$ <u>1,339,425</u>	\$ <u>1,334,691</u>	\$ <u>4,734</u>
Net change in fund balance			<u>\$ 8,028</u>	
Fund balance - beginning of the year			<u>\$ 102,012</u>	
Fund balance - end of the year			<u><u>\$ 110,040</u></u>	

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

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 102,433	\$ 102,433	\$ 103,081	\$ 648
County revenue	10,039	10,039	9,428	(611)
State revenue	<u>14,596</u>	<u>14,596</u>	<u>13,985</u>	<u>(611)</u>
Amounts available for appropriation	\$ <u>127,068</u>	\$ <u>127,068</u>	\$ <u>126,494</u>	\$ <u>(574)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	1,000	1,000	-	1,000
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	14,439	14,439	14,440	(1)
Administration - business	8,088	8,088	8,994	(906)
Student transportation	114,414	114,414	102,177	12,237
Extracurricular	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	\$ <u>137,941</u>	\$ <u>137,941</u>	\$ <u>125,611</u>	\$ <u>12,330</u>
Net change in fund balance			<u>883</u>	
Fund balance - beginning of the year			<u>38,462</u>	
Fund balance - end of the year			<u><u>39,345</u></u>	

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

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 300	\$ 300	\$ 256	\$ (44)
County revenue	178,543	178,543	177,221	(1,322)
State revenue	-	-	-	-
Amounts available for appropriation	\$ 178,843	\$ 178,843	\$ 177,477	\$ (1,366)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 145,368	\$ 145,368	\$ 144,427	\$ 941
Instructional - special education	24,733	24,733	23,313	1,420
Supporting services - operations & maintenance	10,650	10,650	10,623	27
Supporting services - general	5,600	5,600	6,257	(657)
Supporting services - educational media services	8,730	8,730	10,073	(1,343)
Administration - general	18,100	18,100	15,517	2,583
Administration - business	6,440	6,440	6,167	273
Student transportation	-	-	-	-
Extracurricular	2,800	2,800	2,536	264
Capital outlay	-	-	-	-
Other current charges	-	-	-	-
Total charges to appropriations	\$ 222,421	\$ 222,421	\$ 218,913	\$ 3,508
Net change in fund balance			\$ (41,436)	
Fund balance - beginning of the year			\$ 88,063	
Fund balance - end of the year			\$ 46,627	

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

Cayuse Prairie Public School, Flathead 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	\$ -	\$ -	\$ 131,092	0%	\$ 664,971	19.7%
July 1, 2012	\$ -	\$ -	\$ 187,992	0%	\$ 971,007	19.4%

SUPPLEMENTAL INFORMATION

Cayuse Prairie Public School, Flathead County, Montana

EXTRACURRICULAR FUND

SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS

Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning <u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	Transfers <u>In(Out)</u>	Ending <u>Balance</u>
Pop	\$ 7,361	\$ 7,675	\$ 7,915	\$ (10)	\$ 7,111
8th Grade	4,240	1,112	968	1,809	6,193
7th Grade	1,434	674	432	11	1,687
6th Grade	1,139	1,117	59	779	2,976
5th Grade	1,306	676	-	(638)	1,344
4th Grade	209	150	208	(58)	93
3rd Grade	163	220	213	(98)	72
2nd Grade	65	210	55	(65)	155
1st Grade	-	170	170	-	-
Kindergarten	-	375	239	-	136
Student Council	3,246	1,013	981	22	3,300
Library	1,026	2,194	2,209	-	1,011
Athletic	85	-	-	-	85
Fine Arts	999	-	-	-	999
Outdoor Ed	333	-	-	-	333
Band	90	-	-	-	90
Cooking & Sewing	60	-	-	-	60
MBI	1,134	-	-	-	1,134
Concession	4	6,434	1,877	(678)	3,883
Odyssey	333	-	-	(333)	-
Interest	376	8	-	-	384
Principal	44	-	-	(44)	-
First Aid	255	-	-	(255)	-
Laminating	63	-	-	(63)	-
Cayuse Kids Care	379	-	-	(379)	-
Total	\$ 24,344	\$ 22,028	\$ 15,326	\$ -	\$ 31,046

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
Cayuse Prairie 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 Cayuse Prairie 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 Cayuse Prairie Public School's 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 Cayuse Prairie 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 Cayuse Prairie Public School, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Cayuse Prairie 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 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 to be significant deficiencies listed as item 2014-001

2014-001 Budgetary Reporting Error

Condition:

The District budgeted for \$22,136 in the Tuition fund for 1900 Other Local Revenues. The revenue should have been budgeted in 1110 District Tax Levy Revenues.

Context:

During the process of comparing revenues we scheduled the budgeted revenues and the revenues received and identified this error.

Criteria:

The District should have internal controls in place to ensure numbers entered into the budget are correct.

Effect:

The overall effect is that the District did not receive the \$22,136 in tax revenues due to the fact that mill levy was not included in district levies. This created the tuition fund to be in deficit by \$7,113.

Cause:

Lack of internal controls over budgetary reporting were noted.

Recommendation:

We recommend the District implement internal control procedures to ensure budgetary numbers are accurate.

Auditee Response:

Internal and external control procedures are now in place to ensure budgetary numbers are coded under the correct revenue source.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cayuse Prairie 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cayuse Prairie Public School's Response to Findings

Cayuse Prairie Public School's response to the findings identified in our audit is described above. Cayuse Prairie 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.

Derringer, 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
Cayuse Prairie 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>
Capital Assets	Implemented

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

June 22, 2015