

CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

AUDIT REPORT

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

CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

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CAYUSE PRAIRIE PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2015

BOARD OF TRUSTEES

Kevin Fox
Jason Rausch
Pam Skonord
Amy Ramer
Jack Thatcher

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Amy Piazzola
Heather Mumby
Jack Eggensperger
Ed Corrigan

District Superintendent
Business Manager
County Superintendent
County Attorney

Cayuse Prairie School, District #10
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2015

Cayuse Prairie School District #10 has 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, 2015.

Financial Highlights

The net position for the school district saw a decline from FY14 to FY15. This is due to the implementation of the GASB#68. There was also a decrease in capital assets and an increase in restricted liabilities (bond and grants). The overall decline from FY14 to FY15 was \$1,397,301. Program Revenue increased significantly due to an increase in grants awarded to the school, the expansion of the food program to include hot lunch, and an increase in State Entitlements. Program expenses increase significantly due to an increase staffing, especially in Special Education.

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 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 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, 2015.

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

- a. General Regular Instruction had a positive variance of \$13,822. This was largely due to staff turnover from FY14 to FY15.
- b. General Special Education Instruction had no significant variance.
- c. General Operation and Maintenance saw a positive variance of \$47,296. This was largely due to salaries and campus maintenance.
- d. General Supporting Services remained steady with very little variance.
- e. General Extracurricular had a positive variance of \$6,449. This was largely due to the expense of the middle school history trip taken every other year.
- f. General School Food saw a positive variance of \$17,546. This was due to the implementation of a schoolwide hot lunch program.
- g. Transportation fund had a positive variance of \$27,154. District budgeted for an increase in the costs of the transportation.
- h. 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 \$486,341 as of June 30, 2015. Most of the district's net position reflect 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, 2015

	Governmental Activities		
	<u>FY15</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 1,018,391	\$ 827,592	\$ 190,799
Capital assets	3,063,505	3,103,975	(40,470)
Total assets	\$ 4,081,896	\$ 3,931,567	\$ 150,329
Long-term debt outstanding	\$ 2,145,468	\$ 2,130,115	\$ 15,353
Other liabilities	1,449,669	245	1,449,424
Total liabilities	\$ 3,595,137	\$ 2,130,360	\$ 1,464,777
Invested in capital assets, net of debt	\$ 1,113,505	\$ 1,153,975	\$ (40,470)
Restricted	866,515	713,540	152,975
Unrestricted (deficit)	(1,575,696)	(66,308)	(1,509,388)
Total net position	\$ 404,324	\$ 1,801,207	\$ (1,396,883)

Statement of Changes in Net Position Table 2
June 30, 2015

	Governmental Activities		
	<u>FY15</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 71,202	\$ 27,473	\$ 43,729
Operating grants and contributions	293,123	236,626	56,497
<i>General revenues (by major source):</i>			
Property taxes for general purposes	659,026	609,765	49,261
Grants and entitlements not restricted to specific programs	901,552	877,649	23,903
Investment earnings	6,213	4,018	2,195
Miscellaneous (other revenue)	11,971	48,149	(36,178)
State entitlement (block grants)	48,935	34,711	14,224
State technology	1,444	4,974	(3,530)
County retirement	209,352	177,221	32,131
Total revenues	\$ 2,257,447	\$ 2,020,586	\$ 236,861

Program expenses

Instructional - regular	\$ 1,126,103	\$ 1,113,939	\$ 12,164
Instructional - special education	252,334	189,803	62,531
Supporting services - operations & maintenance	169,681	161,487	8,194
Supporting services - general	48,291	46,089	2,202
Supporting services - educational media services	88,424	77,451	10,973
Administration - general	168,818	164,530	4,288
Administration - business	59,737	59,558	179
Student transportation	102,665	102,177	488
Extracurricular	23,433	30,894	(7,461)
School food	71,812	6,241	65,571
Debt service expense - interest	25,850	25,850	-
Total expenses	<u>\$ 2,137,148</u>	<u>\$ 1,978,019</u>	<u>\$ 159,129</u>

Increase (decrease) in net position

<u>\$ 120,299</u>	<u>\$ 42,567</u>	<u>\$ 77,732</u>
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Capital Assets and Long-Term Debt

Capital Assets decreased by \$40,888. The decrease was due largely to retirements and depreciation. The District currently has \$3,063,087 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 \$15,353 due to Compensated Absences and Other Post Employment Benefits. Total debt for the District is \$3,594,247. The GASB#68 implementation added a significant liability to the District's government-wide financial statement of \$1,449,403.

Analysis of Financial Information

The overall increase in net assets from FY14 to FY15 was predominately due to a decrease in revenues from grants, charges for services (Food Program) and state entitlements.

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 breakfast program which will affect the net assets for FY16.

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, 2015, 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 District'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 District'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, 2015, 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 2015, the District adopted new accounting guidance, GASB statement No. 68, *Accounting and financial Reporting for Pensions, (an amendment of GASB No. 27)*. 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, schedule of funding for other post-employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 6, 47 through 49, 50, 51 and 52, 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 27, 2016 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.

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

June 27, 2016

Cayuse Prairie Public School, Flathead County, Montana
Statement of Net Position
June 30, 2015

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	396,040
Taxes and assessments receivable, net		8,935
Due from other governments		4,041
Total current assets	\$	409,016
Noncurrent assets		
Restricted cash and investments	\$	609,375
Capital assets - land		57,250
Capital assets - construction in progress		19,670
Capital assets - depreciable, net		2,986,585
Total noncurrent assets	\$	3,672,880
Total assets	\$	4,081,896
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	\$	48,700
Deferred outflows of resources - District contributions		111,311
Total deferred outflows of resources	\$	160,011
LIABILITIES		
Current liabilities		
Accounts payable	\$	265
Current portion of compensated absences payable		14,560
Total current liabilities	\$	14,826
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	149,844
Noncurrent portion of long-term capital liabilities		1,950,000
Noncurrent portion of compensated absences		31,064
Net pension liability		1,449,403
Total noncurrent liabilities	\$	3,580,311
Total liabilities	\$	3,595,137
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	\$	242,446
Total Deferred Inflows of resources	\$	242,446
NET POSITION		
Net investment in capital assets	\$	1,113,505
Restricted for debt service		632,606
Restricted for special projects		233,909
Unrestricted		(1,575,696)
Total net position	\$	404,324

See accompanying Notes to the Financial Statements

Cayuse Prairie Public School, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
Instructional - regular	\$ 1,126,103	\$ 37,408	\$ 173,247	\$ (915,448)
Instructional - special education	252,334	-	72,443	(179,891)
Supporting services - operations & maintenance	169,681	-	-	(169,681)
Supporting services - general	48,291	-	-	(48,291)
Supporting services - educational media services	88,424	-	-	(88,424)
Administration - general	168,818	-	-	(168,818)
Administration - business	59,737	-	-	(59,737)
Student transportation	102,665	-	17,636	(85,029)
Extracurricular	23,433	-	-	(23,433)
School food	71,812	33,794	29,797	(8,221)
Debt service expense - interest	25,850	-	-	(25,850)
Total governmental activities	\$ 2,137,148	\$ 71,202	\$ 293,123	\$ (1,772,823)
General Revenues:				
				\$ 659,026
				901,552
				54,629
				6,213
				11,971
				48,935
				1,444
				209,352
				\$ 1,893,122
				\$ 120,299
				\$ 1,801,207
				(1,517,182)
				\$ 284,025
				\$ 404,324

See accompanying Notes to the Financial Statements

Cayuse Prairie Public School, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2015

	General	Transportation	Miscellaneous Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 148,845	\$ 52,956	\$ 73,097	\$ 14,837	\$ 106,305	\$ 396,040
Taxes and assessments receivable, net	3,006	2,266	-	2,827	836	8,935
Due from other governments	-	-	4,041	-	-	4,041
Total current assets	\$ 151,851	\$ 55,222	\$ 77,138	\$ 17,664	\$ 107,141	\$ 409,016
Noncurrent assets:						
Restricted cash and investments	-	-	-	609,375	-	609,375
Total noncurrent assets	-	-	-	609,375	-	609,375
Total assets	\$ 151,851	\$ 55,222	\$ 77,138	\$ 627,039	\$ 107,141	\$ 1,018,391
Current liabilities:						
Total liabilities	\$ 20	-	245	-	-	265
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	\$ 3,007	2,266	-	2,827	836	8,936
FUND BALANCES						
Restricted	-	52,956	76,893	624,212	106,956	861,017
Unassigned fund balance	148,824	-	-	-	(651)	148,173
Total fund balance	\$ 148,824	\$ 52,956	\$ 76,893	\$ 624,212	\$ 106,305	\$ 1,009,190

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, 2015

Total fund balances - governmental funds	\$	1,009,190
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,063,505
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.		8,935
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,145,468)
Proportionate share of ending collective net pension liability		(1,449,403)
Deferred outflows related to net pension liability		160,011
Deferred inflows related to net pension liability		(242,446)
Total net position - governmental activities	\$	<u><u>404,324</u></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, 2015

	<u>General</u>	<u>Transportation</u>	<u>Miscellaneous Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 400,896	\$ 103,850	\$ 71,036	\$ 130,079	\$ 63,760	\$ 769,621
County revenue	-	8,818	-	-	209,352	218,170
State revenue	999,289	13,844	10,294	11,420	1,444	1,036,291
Federal revenue	-	-	156,802	-	29,798	186,600
Total revenues	<u>\$ 1,400,185</u>	<u>\$ 126,512</u>	<u>\$ 238,132</u>	<u>\$ 141,499</u>	<u>\$ 304,354</u>	<u>\$ 2,210,682</u>
EXPENDITURES						
Instructional - regular	\$ 659,718	\$ -	\$ 204,018	\$ -	\$ 99,281	\$ 963,017
Instructional - special education	169,180	-	43,722	-	39,432	252,334
Supporting services - operations & maintenance	157,287	-	-	-	12,394	169,681
Supporting services - general	41,753	-	-	-	6,538	48,291
Supporting services - educational media services	76,634	-	806	-	10,984	88,424
Administration - general	138,331	15,106	-	-	15,381	168,818
Administration - business	45,082	8,524	-	-	6,131	59,737
Student transportation	13,347	89,271	47	-	-	102,665
Extracurricular	21,551	-	-	-	1,882	23,433
School food	9,206	-	-	-	62,606	71,812
Debt service expense - interest	-	-	-	25,850	-	25,850
Capital outlay	61,476	-	11,666	-	-	73,142
Total expenditures	<u>\$ 1,393,565</u>	<u>\$ 112,901</u>	<u>\$ 260,259</u>	<u>\$ 25,850</u>	<u>\$ 254,629</u>	<u>\$ 2,047,204</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,620</u>	<u>\$ 13,611</u>	<u>\$ (22,127)</u>	<u>\$ 115,649</u>	<u>\$ 49,725</u>	<u>\$ 163,478</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
Transfers out	(3,000)	-	-	-	-	(3,000)
Total other financing sources (uses)	<u>\$ (3,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 3,620</u>	<u>\$ 13,611</u>	<u>\$ (22,127)</u>	<u>\$ 115,649</u>	<u>\$ 52,725</u>	<u>\$ 163,478</u>
Fund balances - beginning	\$ 110,040	\$ 39,345	\$ 99,020	\$ 508,563	\$ 53,580	\$ 810,548
Restatements	35,164	-	-	-	-	35,164
Fund balances - beginning, restated	<u>\$ 145,204</u>	<u>\$ 39,345</u>	<u>\$ 99,020</u>	<u>\$ 508,563</u>	<u>\$ 53,580</u>	<u>\$ 845,712</u>
Fund balance - ending	<u>\$ 148,824</u>	<u>\$ 52,956</u>	<u>\$ 76,893</u>	<u>\$ 624,212</u>	<u>\$ 106,305</u>	<u>\$ 1,009,190</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, 2015

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

Net change in fund balances - total governmental funds \$ 163,478

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 73,142
- Depreciation expense (89,167)
- Adjustments made to capital assets (24,445)

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) (7,864)

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

9,166

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)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance

(145,432)

State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance

54,629

Current year contributions to retirement reclassified to deferred outflows

111,311

Change in net position - Statement of Activities \$ 120,299

See accompanying Notes to the Financial Statements

Cayuse Prairie Public School, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Total assets	\$ 25,302	\$ 40,729
LIABILITIES		
Warrants payable	\$ -	\$ 40,729
Total liabilities	\$ -	\$ 40,729
NET POSITION		
Assets held in trust	\$ 25,302	

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, 2015

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>30,286</u>
DEDUCTIONS		
Student activities	\$	<u>36,030</u>
Change in net position	\$	<u>(5,744)</u>
Net Position - Beginning of the year	\$	31,046
Net Position - End of the year	\$	<u><u>25,302</u></u>

See accompanying Notes to the Financial Statements

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for years beginning after June 15, 2014 (fiscal year ended June 30, 2015, for the District). The statement establishes accounting and financial reporting standards for the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present, value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The statement also requires employers to present, as required supplementary information, information about the changes in the net pension liability and the related ratios, including the plan's fiduciary net position as a percentage of total pension liability, and the net pension liability, as a percentage of covered-employee payroll. As a cost-sharing employer under this statement, the District is required to recognize a liability for its proportionate share of the net pension liability, and to recognize pension expense and report deferred outflows and deferred inflows. The District is further required to present as required supplementary information a 10- year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios. The District adopted GASB Statement No. 68 in 2015 by retroactively restating financial statements for all periods presented.

Financial Reporting District

In determining the financial reporting District, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting District*, as amended by GASB statement No. 61, *The Financial Reporting District: 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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 District (separate legal District 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 District except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services

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

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

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting District 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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

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.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 – 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:

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 District and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2015, consisted of certificate deposits, Federal Home Loan Bank investments, U.S. Government Securities and federal National Mortgage Association investments.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2015.

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 \$33,731 and the bank balance was \$32,266.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2015. These amounts are reported within the cash/investment account on the Combined Balance Sheet and Statement of Net Position.

<u>Description</u>	<u>Amount</u>
QSC Sinking Fund	\$ <u>609,375</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.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
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 June 30, 2015

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.

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	30 – 60 years
Improvements	30 – 60 years
Equipment	5 – 60 years
Infrastructure	50 – 65 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 into the 2015 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 <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Transfers</u>	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:						
Land	\$ 57,250	\$ -	\$ -	\$ -	\$ -	\$ 57,250
Construction in progress	51,257	19,670	-	-	(51,257)	19,670
Total capital assets not being depreciated	<u>\$ 108,507</u>	<u>\$ 19,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,257)</u>	<u>\$ 76,920</u>
Other capital assets:						
Buildings	\$ 3,269,537	\$ 31,871	\$ (11,854)	\$ -	\$ 51,257	\$ 3,340,811
Improvements other than buildings	324,211	21,601	-	-	-	345,812
Machinery and equipment	118,113	-	-	23,197	-	141,310
Total other capital assets at historical cost	<u>\$ 3,711,861</u>	<u>\$ 53,472</u>	<u>\$ (11,854)</u>	<u>\$ 23,197</u>	<u>\$ 51,257</u>	<u>\$ 3,827,933</u>
Less: accumulated depreciation	\$ (716,393)	\$ (89,167)	\$ 11,854	\$ (47,642)	\$ -	\$ (841,348)
Total	<u>\$ 3,103,975</u>	<u>\$ (16,025)</u>	<u>\$ -</u>	<u>\$ (24,445)</u>	<u>\$ -</u>	<u>\$ 3,063,505</u>

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, 2015, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance				Balance	Due Within
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2015</u>	<u>One Year</u>
Qualified Construction bond	\$ 1,950,000	\$ -	\$ -	\$ -	\$ 1,950,000	\$ -
Compensated absences	54,790	-	(9,166)	-	45,624	14,560
Net Pension Liability*	-	-	(248,036)	1,697,439	1,449,403	-
Other post-employment benefits**	125,325	24,519	-	-	149,844	-
Total	<u>\$ 2,130,115</u>	<u>\$ 24,519</u>	<u>\$ (257,202)</u>	<u>\$ 1,697,439</u>	<u>\$ 3,594,871</u>	<u>\$ 14,560</u>

*See Note 10

**See Note 9

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

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, 2015 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, 2015</u>
QSC Bond Series 2010	1/28/10	1.3%	16 yrs	6/15/26	\$1,950,000	Varies	\$ 1,950,000

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
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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 15, 2026, deposit with the Treasurer for credit to the Debt Service Account for the bonds a payment which, together with the investment earnings on the Debt Service Account on hand on such date, will equal the sinking fund payment for that fiscal year. Set forth in the following table is the sinking fund payment schedule for the Bonds.

<u>Fiscal</u> <u>Year</u>	<u>Sinking Fund</u> <u>Payments</u>
2011	\$ 121,875
2012	121,875
2013	121,875
2014	121,875
2015	121,875
2016	121,875
2017	121,875
2018	121,875
2019	121,875
2020	121,875
2021	121,875
2022	121,875
2023	121,875
2024	121,875
2025	121,875
2026	<u>121,875</u>
Total	\$ <u>1,950,000</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. As of June 30, 2015 the account balance of the sinking fund is \$609,375.

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.

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The liability associated with governmental fund-type employees is reported in the governmental-type activities.

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during Fiscal Year 2015:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
To maintain appropriate fund balance	General	Compensated Absences	\$3,000

NOTE 9. 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, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$ 187,992
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 187,992</u>
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

CAYUSE PRAIRIE PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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		-
Increase in net OPEB obligation	\$	24,519
Net OPEB obligation - beginning of year		125,325
Net OPEB obligation - end of year	\$	149,844

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%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2012 and after	6.90%

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. NET PENSION LIABILITY

Plan Descriptions

Teachers' Retirement System (TRS) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

TRS

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

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- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$).

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

PERS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months; Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:

Age 60, 5 years of membership service;
Age 65, regardless of membership service;
or Any age, 30 years of membership service.

Hired on or after July 1, 2011:

Age 65, 5 years of membership service;
Age 70, regardless of membership service.

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Early retirement, actuarially reduced:

Hired prior to July 1, 2011:

Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011:

Age 55, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)**

- 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

Overview of Contributions

TRS

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing District in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers.

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MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

PERS

1. Rates are specified by state law for periodic employer and employee contributions.
 - a. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members' compensation.
 - b. School district employers contributed 7.90% of members' compensation.
 - c. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund

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Stand-Alone Statements

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>

The PERS stand-alone financial statements, actuarial valuations and experience studies can be found online at, <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS) and Public Employees' Retirement System(PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability(NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

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The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	TRS NPL as of 6/30/13	TRS NPL as of 6/30/14	Percent of Collective NPL	PERS NPL as of 6/30/13	PERS NPL as of 6/30/14	Percent of Collective NPL	Total NPL as of 6/30/13	Total NPL as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 1,480,158	\$ 1,280,555	0.0832%	\$ 217,281	\$ 168,848	0.0136%	\$ 1,697,439	\$ 1,449,403	0.0968%
State of Montana Proportionate Share associated with Employer	1,016,773	879,658	0.0572%	10,157	7,893	0.0659%	1,026,930	887,551	0.1231%
Total	<u>\$ 2,496,931</u>	<u>\$ 2,160,213</u>	<u>0.14%</u>	<u>\$ 227,438</u>	<u>\$ 176,741</u>	<u>0.0794%</u>	<u>\$ 2,724,369</u>	<u>\$ 2,336,954</u>	<u>0.2198%</u>

At June 30, 2015, the employer recorded a liability of \$1,449,403 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS and PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRS and PERS participating employers. At June 30, 2014, the employer's proportion was 0.0968 percent.

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date for TRS.

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

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- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense as of 6/30/14

	TRS	PERS	Total
Employer Proportionate Share	\$ 82,634	\$ 8,169	\$ 90,803
State of Montana Proportionate Share associated with the Employer	49,258	5,371	54,629
Total	\$ 131,892	\$ 13,540	\$ 145,432

At June 30, 2015, the employer recognized a Pension Expense of \$145,432 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$54,629 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$145,093.

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Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of TRS and PERS deferred outflows of resources and deferred inflows of resources related to TRS and PERS from the following sources:

	TRS Deferred Outflows of Resources	TRS Deferred Inflows of Resources	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,668	\$ -	\$ -	\$ -	\$ 12,668	\$ -
Changes in actuarial assumptions	29,023	-	-	-	29,023	-
Difference between projected and actual investment earnings	-	198,340	-	43,628	-	241,968
Difference between actual and expected contributions	7,009	-	-	478	7,009	478
*Contributions paid subsequent to the measurement date - FY 2015 Contributions	94,458	-	16,853	-	111,311	-
Total	<u>\$ 143,158</u>	<u>\$ 198,340</u>	<u>\$ 16,853</u>	<u>\$ 44,106</u>	<u>\$ 160,011</u>	<u>\$ 242,446</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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TRS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ 16,233	\$ 49,585	\$ (33,352)
2017	\$ 16,233	\$ 49,585	\$ (33,352)
2018	\$ 16,233	\$ 49,585	\$ (33,352)
2019	\$ -	\$ 49,585	\$ (49,585)
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

PERS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 11,066	\$ (11,066)
2017	\$ -	\$ 11,066	\$ (11,066)
2018	\$ -	\$ 11,066	\$ (11,066)
2019	\$ -	\$ 10,907	\$ (10,907)
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

Actuarial Assumptions

TRS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases* 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
(starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

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- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

PERS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

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Discount Rate

TRS

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

PERS

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

TRS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic</u> <u>Basis</u>
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%
Total	<u>100.00%</u>	

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The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

PERS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	<u>8.00%</u>	4.50%
Total	<u>100.00%</u>	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

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Sensitivity Analysis

	1.0% Decrease <u>-6.75%</u>	Current <u>Discount Rate</u>	1.0% Increase <u>-8.75%</u>
TRS	\$ 1,779,098	\$ 1,280,555	\$ 859,362
PERS	\$ 268,619	\$ 168,848	\$ 84,700

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate in accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies

The Teachers' Retirement System (TRS) and The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by TRS or MPERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS and MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

NOTE 11. 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.

NOTE 12. 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.

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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	\$ 52,956	Student transportation
Miscellaneous Programs	76,893	Third party grant restrictions
Debt Service	624,212	Debt service
All other aggregate	9,771	Student food services
	78,361	Employer costs of benefits
	1,404	Operations and maintenance
	5,567	Future vacation & sick leave payments
	<u>11,853</u>	Future technology upgrades
	<u>\$ 861,017</u>	Total aggregate

NOTE 13. 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	\$ 651	Error in budget preparation prior year	Subsequent tax revenue collections

NOTE 14. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 35,164	Reimbursement received from Flathead Electric
Government Wide	<u>(1,552,346)</u>	GASB #68 Implementation Adjustment
Total	<u>\$ (1,517,182)</u>	

NOTE 15. 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.

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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 administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District's contribution to the Cooperative was \$3,718 for the fiscal year ended June 30, 2015. 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 of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$7,010 for fiscal year ended June 30, 2015. 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 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.

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The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based on ANB. Each District is charged a fee for each student participating in the program. For the fiscal year ended June 30, 2015, 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. It currently has 8 member districts. The member districts provide fiscal responsibility to the host district which includes placement fees.

NOTE 16. 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 17. 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.

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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.

Stop Loss Insurance:

The Northwest Montana Public Schools Health Consortium was created pursuant to MCA 20-3-363, to create a multi-district or interlocal cooperative to allow the participants to cooperate in and jointly fund certain services, activities, and undertakings deemed beneficial by the participating Districts. The consortium is made up of Kalispell Public Schools (KPS), Whitefish School District (WSD), and the Flathead Group, which includes Cayuse Prairie School District. KPS has been designed as the primary agency to be vest with the financial administration of the cooperative arrangement. The participants have contracted with First Choice Administrators (FCHA) to provide third party administrative services to the group's respective plans.

The participants have agreed to form the consortium to jointly arrange for and purchase administrative services and stop loss insurance coverage for their respective health insurance plans. The consortium is not intended to provide for the joint payments of claims under the groups respective plans, and each group is responsible for all costs under its plan. In addition, the participants will be charged and be responsible for its own claims at renewal except those costs that exceed stop loss thresholds will be appropriated among all participants for purposes of renewal. The term of the initial agreement is for a three year period beginning July 1, 2014.

Separate audited financial statements are part of the Kalispell Public Schools audit.

CAYUSE PRAIRIE PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Group Health Insurance:

The Northwest Montana Public Schools Health Consortium was created pursuant to MCA 20-3-363, to create a multi-district or interlocal cooperative to allow the participants to cooperate in and jointly fund certain services, activities, and undertakings deemed beneficial by the participating Districts. The consortium is made up of Kalispell Public Schools (KPS), Whitefish School District (WSD), and the Flathead Group, which includes Cayuse Prairie School District. KPS has been designed as the primary agency to be vest with the financial administration of the cooperative arrangement. The participants have contracted with First Choice Administrators (FCHA) to provide third party administrative services to the group's respective plans.

The participants have agreed to form the consortium to jointly arrange for and purchase administrative services and stop loss insurance coverage for their respective health insurance plans. The consortium is not intended to provide for the joint payments of claims under the groups respective plans, and each group is responsible for all costs under its plan. In addition, the participants will be charged and be responsible for its own claims at renewal except those costs that exceed stop loss thresholds will be appropriated among all participants for purposes of renewal. The term of the initial agreement is for a three year period beginning July 1, 2014.

Separate audited financial statements are part of the Kalispell Public Schools audit.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Cayuse Prairie Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 400,016	\$ 435,180	\$ 400,896	\$ (34,284)
State revenue	999,289	999,289	999,289	-
Amounts available for appropriation	<u>\$ 1,399,305</u>	<u>\$ 1,434,469</u>	<u>\$ 1,400,185</u>	<u>\$ (34,284)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 638,376	\$ 673,540	\$ 659,718	\$ 13,822
Instructional - special education	171,266	171,266	169,180	2,086
Supporting services - operations & maintenance	204,583	204,583	157,287	47,296
Supporting services - general	41,926	41,926	41,753	173
Supporting services - educational media services	74,670	74,670	76,634	(1,964)
Administration - general	143,842	143,842	138,331	5,511
Administration - business	48,482	48,482	45,082	3,400
Student transportation	-	-	13,347	(13,347)
Extracurricular	28,000	28,000	21,551	6,449
School food	26,752	26,752	9,206	17,546
Capital outlay	-	-	61,476	(61,476)
Other current charges	14,000	14,000	-	14,000
Total charges to appropriations	<u>\$ 1,391,897</u>	<u>\$ 1,427,061</u>	<u>\$ 1,393,565</u>	<u>\$ 33,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (7,408)	\$ (7,408)	\$ (3,000)	\$ 4,408
Total other financing sources (uses)	<u>\$ (7,408)</u>	<u>\$ (7,408)</u>	<u>\$ (3,000)</u>	<u>\$ 4,408</u>
Net change in fund balance			<u>\$ 3,620</u>	
Fund balance - beginning of the year			\$ 110,040	
Restatements			<u>35,164</u>	
Fund balance - beginning of the year - restated			<u>\$ 145,204</u>	
Fund balance - end of the year			<u><u>\$ 148,824</u></u>	

Cayuse Prairie Public School, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

Transportation				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Local revenue	\$ 103,606	\$ 103,606	\$ 103,850	\$ 244
County revenue	10,034	10,034	8,818	(1,216)
State revenue	15,060	15,060	13,844	(1,216)
Amounts available for appropriation	\$ 128,700	\$ 128,700	\$ 126,512	\$ (2,188)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Administration - general	\$ 15,099	\$ 15,099	\$ 15,106	\$ (7)
Administration - business	8,518	8,518	8,524	(6)
Student transportation	116,425	116,425	89,271	27,154
Total charges to appropriations	\$ 140,042	\$ 140,042	\$ 112,901	\$ 27,141
Net change in fund balance			\$ 13,611	
Fund balance - beginning of the year			\$ 39,345	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 39,345	
Fund balance - end of the year			\$ 52,956	

Cayuse Prairie Public School, Flathead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Transportation
Sources/Inflows of resources		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ <u>1,400,185</u>	\$ <u>126,512</u>
Uses/Outflows of resources		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u>1,393,565</u>	\$ <u>112,901</u>

Note B

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

Cayuse Praire Public School, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

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%

Cayuse Prairie Public School, Flathead County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	<u>TRS</u> <u>2015</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	\$ 1,280,555	\$ 168,848
Employer's proportionate share of the net pension liability associated with the Employer	0.0832%	0.013551%
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>879,658</u>	<u>7,893</u>
Total	\$ <u>2,160,213</u>	\$ <u>176,741</u>
Employer's covered-employee payroll	\$ 1,102,194	\$ 158,708
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116.18%	106.389%
Plan fiduciary net position as a percentage of the total pension liability	70.36%	79.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Cayuse Prairie Public School, Flathead County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2015

		<u>TRS</u> <u>2015</u>		<u>PERS</u> <u>2015</u>
Contractually required contributions	\$	94,458	\$	12,496
Contributions in relation to the contractually required contributions	\$	94,458	\$	12,496
District's covered-employee payroll	\$	\$ 1,102,194	\$	\$ 158,708
Contributions as a percentage of covered-employee payroll		8.57%		7.873%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Cayuse Prairie Public School, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2015

Teachers Retirement System of Montana (TRS)

Changes of assumptions: The following changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
 For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent

Salary increase	4.00 to 8.51 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

Public Employees' Retirement System of Montana (PERS)

Changes of assumptions:

Assumptions related to future member contribution rates have been updated based on revised projections, which incorporate Plan experience over the year ending on the valuation date.

Assumptions related to the Guaranteed Annual Benefit Adjustment (GABA) for members hired on or after July 1, 2013 have been added, given new guidance on the GABA applicable to these members.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent

SUPPLEMENTAL INFORMATION

CAYUSE PRAIRIE PUBLIC SCHOOL
Flathead County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2015

Fall Enrollment - October, 2014

Elementary School District

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	32	32	0
Grades 1-6	151	151	0
Grades 7-8	43	43	0
Total Elementary	226	226	0

Spring Enrollment - February, 2015

Elementary School District

	SPRING		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten - Full	32	32	0
Grades 1-6	149	149	0
Grades 7-8	43	43	0
Total Elementary	224	224	0

Cayuse Prairie Public School
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2015

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Pop	\$ 7,111	\$ 10,406	\$ 10,649	\$ 6,000	\$ 12,868
8th Grade	6,193	4,198	5,676	(4,313)	402
7th Grade	1,687	6,708	7,092	1,289	2,592
6th Grade	2,976	355	1,005	(1,632)	694
5th Grade	1,344	519	-	(1,251)	612
4th Grade	93	258	319	(21)	11
3rd Grade	72	160	270	83	45
2nd Grade	155	190	133	(155)	57
1st Grade	-	230	272	136	94
Kindergarten	136	423	359	(136)	64
Student Council	3,300	632	1,592	-	2,340
Library	1,011	2,870	2,585	-	1,296
Athletic	85	-	-	-	85
Fine Arts	999	-	-	-	999
Outdoor Ed	333	3,107	3,055	-	385
Band	90	221	180	-	131
Cooking & Sewing	60	-	-	-	60
MBI	1,134	-	-	-	1,134
Concession	3,883	-	2,800	-	1,083
Interest	384	9	42	-	351
Total	<u>\$ 31,046</u>	<u>\$ 30,286</u>	<u>\$ 36,029</u>	<u>\$ -</u>	<u>\$ 25,303</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
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, 2015, 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 27, 2016.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 *Governmental Auditing Standards*.

Purpose of this Report

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

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

June 27, 2016

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>
Budgetary Reporting Error	Implemented

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

June 27, 2016