

**EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

**COUNTY HIGH SCHOOL DISTRICT AND
ELEMENTARY SCHOOL DISTRICT #15
DISTRICT LEGAL ENTITY #0097 & #0087
CARTER COUNTY**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BAKER, MONTANA**

**EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2013**

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**EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2013**

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Ekalaka Public Schools

Ekalaka, Montana

Management's Discussion and Analysis

For the Year Ended June 30, 2013

Our discussion and analysis of the Ekalaka Public Schools' financial performance provides an overview of financial activities for the fiscal year ended June 30, 2013.

USING THIS FINANCIAL REPORT

Ekalaka Public Schools consists of Ekalaka Elementary District #15 and Carter County High School. Although these two districts operate separately from one another in regard to budgets, funds, assets and liabilities, they are reported together in the following Financial Statements as a Unified Board of Trustees governs them. These two schools will collectively be called "District" in this MD & A.

FINANCIAL HIGHLIGHTS

The Montana Legislature once again dramatically changed school funding during the 2013 Legislative Session by passing Senate Bill 175. Some of the highlights of this bill were:

- Inflationary increases in Per-ANB entitlements as follows: .89% in FY14 and 2.08% in FY15
- Increases in basic entitlements for FY14, FY15 & FY16
- New Data for Achievement Payment paid on ANB; FY14=\$10; FY15=\$15; FY16=\$20
- Three enrollment counts per year to improve accuracy of ANB
- Provides authority to trustees to manage levy authority among different funds
- Initiates an inflation adjustment to remaining general fund entitlements (quality educator, at-risk, American Indian Achievement gap, American Indian Education for All, Data for Achievement Payment) starting in FY15
- Increased ANB funding for unusual enrollment increases trigger at 4%
- Addressing oil and gas revenue through concentric circles.

The funding increases provided from SB175 did not affect the FY13 year, but are important to consider when forecasting the adoption of next year's budgets.

Other bills worth noting are:

1. SB 191- allows use of the tuition levy on a nonvoted basis to pay for special education costs that are above funding. The formula in the bill, in summary, is that levy authority equals actual costs of service attributable to an IDEA child minus the district's general fund budget per ANB and the federal special education payment per ANB.
2. SB 348- allows districts to tap into reserves in any fund other than debt service, retirement or compensated absence to implement school safety-related facilities repairs. This will take

substantial pressure off of our general funds for planned security upgrades. This authority runs thru FY15. Districts can now transfer year end funds that would otherwise be subject to fund balance reappropriated, for example, into the building reserve fund and use it to improve school safety.

The district is still able to minimize the impact of declining enrollment by continuing to use a 3-year average for their ANB Entitlement:

<u>CERTIFIED ANB</u>	<u>FY12</u>	<u>3 Yr Average</u>	<u>FY13</u>	<u>3 Yr Average</u>
Ekalaka K-6	56	57	55	55
Ekalaka 7-8	19	22	19	20
CCHS	41	45	39	43

We are still receiving Federal R.E.A.P. and Title I funds in both schools. This money is used to supplement many programs.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements. The MD&A represents management's examination and analysis of the Districts financial condition and performance. Summary financial statement data, key financial and operational indicators used in the budget and other management tools were used for this analysis. The financial statements include a balance sheet, income statement, a statement of cash flow and notes to the financial statements.

Government-wide financial statements. The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the District as a whole and present a long-term view of the District's finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as what remains for future spending. These government-wide statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the net assets and changes in them. One can think of net assets, the difference between assets and liabilities, as one way to measure the financial health, or financial position. Over time, increases, or decreases in net assets are one indicator of whether the government's financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment increases and declines and changes in the State's funding formulas to assess the overall health.

Fund financial statements. The fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds-not the government as a whole.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We utilize the following funds:

Governmental funds-Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

Fiduciary funds-Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statement. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

SUMMARY - THE SCHOOL DISTRICT AS A WHOLE

The Net Assets Table presents a comparative summary of the District's net assets for the fiscal years ended June 30, 2012 and 2013. Most of the District's net assets are capital assets such as land, land improvements, buildings and improvements, machinery and equipment. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints of legislative or other legal requirements total \$386,403.

	Net Position	
	2013	2012
ASSETS		
Current Assets	\$ 1,010,630	1,070,805
Capital assets-net	1,041,329	1,261,778
Total assets	\$ 2,051,959	2,332,583
LIABILITIES		
Current	5,103	7,077
Noncurrent	29,999	44,019
Total liabilities	35,102	51,096
NET POSITION		
Invested in Capital assets	1,041,329	1,223,003
Unrestricted	386,403	514,186
Restricted	589,125	544,298
Total Net Position	2,016,857	2,281,487

Overall, revenue in all governmental funds was down slightly:

Revenues	2013	2012	% +/-
Property taxes	866988	845217	2.5%
Earnings on investments	4221	7626	-45%
School lunch sales	24138	16680	45%
Other local sources	242622	264489	-8%
State Aid	838966	940239	-11%
Federal Aid	123480	123833	0%
Gain on sale of assets	352	0	
Total Revenues	2100767	2198084	-4.6%

Expenditures as a whole were relatively the same as last year as shown in the following table. These expenditures are for all *governmental* funds combined.

Expenditures	2013	2012	\$ +/-	% +/-
Instructional services	656593	703056	-46463	-7.08%
Students	52350	46213	6137	13.28%
Instructional staff	93469	74776	18693	25.00%
District administration	133665	116137	17528	15.09%
Business services	170429	130126	40303	30.97%
Operation & Maint. of facilities	246493	266977	-20484	-8.31%
Transportation	268533	271900	-3367	-1.68%
Special education	65582	64781	801	1.24%
Adult education	8930	480	8450	1760.42%
Vocational programs	173605	149441	24164	16.17%
Extracurricular programs	104445	109625	-5180	-5.86%
Food services	108415	95361	13054	13.69%
Unallocated depreciation	57888	58246	-358	-.62%
Transfers	225000	194000	31000	13.78%
Total Expenditures	2365397	2281119	84278	3.56%

Some of the larger changes from 2013 vs. 2012 can be identified as follows:

Capital outlay:

- o The district did not have any capital outlay in FY13 as opposed to FY12 in which we replaced copiers, upgraded sounds system for the high school gym & replaced the phone system for both school.

THE FUTURE OF THE DISTRICT

*The district has an imminent need to replace the existing elementary building. FY12 marked the second year of a multidistrict agreement to help fund this endeavor. These funds are in fund 282, as the high school is the fiscal agent.

*The district will be moving to a 4-day week schedule next year (13-14).

*The district reached a two year contract with the Teachers Union beginning July 1, 2013 – June 30, 2015. Base salary was increased 3% each year and health insurance was raised from \$7500/annually to \$7750.

*The Board will need to replace at least one school bus next year.

*The District took advantage of Senate Bill 348 and transferred cash balances into the building reserve fund at both districts as there are identified safety-related issues at both schools.

*The biggest benefit that our districts will see from SB175 is what is referred to as ‘concentric circles’. Once a school district has ‘filled’ their maximum oil/gas revenue, the overflow will go to outlying schools instead of the State. Our elementary and high school districts both touch Fallon County, which means we are in the second ‘circle’ and anticipate receiving revenue by the 4th quarter of FY14 (oil revenue is distributed quarterly as follows: August 1, November 1, February 1, May 1.) Although this provision of the bill sunsets FY16, we could see a significant amount of revenue for the next three years. The following is the maximum each district is allowed by law to receipt next year (FY14):

	FY13
	<u>Maximum Oil & Gas Distribution</u>
Ekalaka Elementary	899,233.73
Carter County High School	884,715.66

Based upon production reports, there should be approximately \$1.5 million above the maximum from Baker Public Schools by the 4th quarter that will be distributed. It is unclear how much of this will be given to our districts, as both Wibaux Schools and Plevna also border Baker Schools.

The information and data included in this management’s discussion and analysis report is designed to provide a general overview of the finances of Ekalaka School District. Questions concerning any of the information contained in this report should be addressed to the District’s administration and business office located in Ekalaka, Montana.

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
JUNE 30, 2013

BOARD OF TRUSTEES

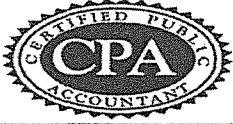
Helen King	Chairperson
Scott Kittelmann	Trustee
Donny Cole	Trustee
Nadine Elmore	Trustee
Cassidy Jespersen	Trustee
Arnold Rychner	Trustee
Michelle Tooke	Trustee

OFFICIALS

Allison Hardin	District Superintendent
Tracy Walker	County Superintendent
Albert R. Batterman	County Attorney
Lora Tauck	Clerk of Board

PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
10 East Montana Ave
Baker, MT 59313-0602
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James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

Independent Auditor's Report

Board of Trustees
Carter County High School
Ekalaka Elementary School District #15
Ekalaka, Montana 59324

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 Ekalaka Public Schools, Ekalaka, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ekalaka Public Schools, Ekalaka, Montana, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - v and 24 - 28 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 Ekalaka Public Schools, Ekalaka, Montana's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of Ekalaka Public Schools, Ekalaka, 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 Ekalaka Public Schools, Ekalaka, Montana's internal control over financial reporting and compliance.

James J. Wosepka, PC

By *James J. Wosepka CPA*

Baker, Montana
November 8, 2013

**EKALAKA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
June 30, 2013**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 944,287
Taxes receivable	2,986
Due from other governments	13,363
Inventories	49,994
Capital assets not being depreciated	
Land	1,900
Capital assets being depreciated (net of accumulated depreciation)	1,039,429
Total Assets	2,051,959
LIABILITIES	
Deferred revenue	2,103
Noncurrent liabilities:	
Due within one year	3,000
Due in more than one year	29,999
Total Liabilities	35,102
NET POSITION	
Investment in capital assets	1,041,329
Unrestricted	386,403
Restricted:	
Transportation	316
Bus Depreciation	331,691
Retirement	11,337
Technology	17,597
Capital Projects	189,522
Other Educational Purposes	38,662
Total Net Position	\$ 2,016,857

The notes to the financial statements are an integral part of this statement.

**EKALAKA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Governmental Activities
Primary government:				
Instructional services	\$ 656,593	\$ 1,125	\$ 87,690	\$ (567,778)
Supporting services:				
Students	52,350	-	-	(52,350)
Instructional staff	93,469	-	1,134	(92,335)
District administration	133,665	-	-	(133,665)
School administration	-	-	-	-
Business services	170,429	-	10,309	(160,120)
Operation & maintenance of facility	246,493	-	-	(246,493)
Transportation	268,533	-	112,625	(155,908)
Special education	65,582	-	33,614	(31,968)
Adult education	8,930	-	-	(8,930)
Vocational education	173,605	-	7,103	(166,502)
Extracurricular programs	104,445	-	-	(104,445)
School lunch services	108,415	24,138	25,938	(58,339)
Unallocated depreciation	57,888	-	-	(57,888)
Transfers	225,000	-	-	(225,000)
Total governmental activities	\$ 2,365,397	\$ 25,263	\$ 278,413	\$ (2,061,721)
General revenues:				
Property taxes				866,988
Unrestricted Federal/State shared revenues				376,274
Unrestricted grants and contributions				544,249
Unrestricted investment earnings				4,221
Miscellaneous				5,007
Gain on sale of capital assets				352
Total general revenues and transfers				1,797,091
Change in net position				(264,630)
Total net position - July 1, 2012				2,281,487
Total net position - June 30, 2013				\$ 2,016,857

The notes to the financial statements are an integral part of this statement.

**EKALAKA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

Description	Major Funds				Total Governmental Funds
	General	High School Bus Depreciation	Elementary Building Reserve	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 268,066	\$ 239,906	\$ 74,548	\$ 361,767	\$ 944,287
Taxes receivable	2,096	263	6	621	2,986
Due from other governments	-	-	-	13,363	13,363
Due from other funds	-	-	38,875	-	38,875
Inventories	49,994	-	-	-	49,994
Total Assets	320,156	240,169	113,429	375,751	1,049,505
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	30,000	-	-	8,875	38,875
Deferred revenue	2,096	263	6	2,724	5,089
Total Liabilities	32,096	263	6	11,599	43,964
Fund balances:					
Nonspendable	49,994	-	-	-	49,994
Spendable:					
Restricted	-	239,906	113,423	275,542	628,871
Assigned	110,441	-	-	88,610	199,051
Unassigned	127,625	-	-	-	127,625
Total fund balances	288,060	239,906	113,423	364,152	1,005,541
Total liabilities and fund balances	\$ 320,156	\$ 240,169	\$ 113,429	\$ 375,751	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,041,329

Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.

2,986

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(32,999)

Total Net Position - Governmental Funds

\$ 2,016,857

The notes to the financial statements are an integral part of this statement.

**EKALAKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

Description	Major Funds				Total Governmental Funds
	General	High School Bus Depreciation	Elementary Building Reserve	Other Governmental Funds	
REVENUES					
Property taxes	\$ 588,908	\$ 95,114	\$ 38	\$ 182,980	\$ 867,040
Earnings on investments	1,181	1,370	319	1,351	4,221
School lunch sales	-	-	-	24,138	24,138
Other local sources	6,400	-	-	236,222	242,622
State aid	716,294	19,780	-	102,892	838,966
Federal aid	-	-	-	123,480	123,480
Total Revenues	1,312,783	116,264	357	671,063	2,100,467
EXPENDITURES					
Current:					
Instructional services	509,261	-	227	170,492	679,980
Supporting services:					
Students	47,947	-	-	4,403	52,350
Instructional staff	31,610	-	-	61,859	93,469
District administration	85,326	-	-	48,339	133,665
School administration	-	-	-	-	-
Business services	141,654	-	-	28,775	170,429
Operation & maintenance of facilities	211,899	-	-	26,958	238,857
Transportation	-	-	-	196,829	196,829
Special education	27,661	-	-	37,921	65,582
Adult education	-	-	-	8,930	8,930
Vocational programs	134,439	-	-	39,166	173,605
Extracurricular programs	76,925	-	-	6,329	83,254
Food services	57,101	-	-	51,314	108,415
Capital outlay	-	-	-	-	-
Total Expenditures	1,323,823	-	227	681,315	2,005,365
Excess of revenues (under) over expenditures	(11,040)	116,264	130	(10,252)	95,102
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	17,000	17,000
Transfers in	-	-	38,875	10,718	49,593
Transfers out	(30,000)	(185,000)	(15,000)	(44,593)	(274,593)
Total other financing sources (uses)	(30,000)	(185,000)	23,875	(16,875)	(208,000)
Net change in fund balances	(41,040)	(68,736)	24,005	(27,127)	(112,898)
Fund balances - July 1, 2012	313,126	308,642	89,418	391,279	1,102,465
Change in inventory	15,974	-	-	-	15,974
Fund balances - June 30, 2013	\$ 288,060	\$ 239,906	\$ 113,423	\$ 364,152	\$ 1,005,541

**EKALAKA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds (page 8)	<u>\$ (112,898)</u>
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
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	-
Depreciation expense	<u>(165,026)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	352
Proceeds from the sale of capital assets	<u>(17,000)</u>
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)	<u>(52)</u>
Adjust for Change in Inventory	<u>15,974</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences and contracts payable	<u>14,020</u>
Change in Net Position in Governmental Activities	<u><u>\$ (264,630)</u></u>

**EKALAKA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

Description	Trust Funds	Agency Funds
	Private Purpose Trust Funds	Agency Composite
ASSETS		
Cash and cash equivalents	\$ 479,630	\$ 86,192
Total Assets	479,630	86,192
LIABILITIES		
Warrants payable	-	83,956
Due to others	-	2,236
Total Liabilities	-	86,192
NET POSITION		
Held in trust for student scholarships	13,640	
Held in trust for interlocal agreement	419,955	
Held in trust for student activities	46,035	
	\$ 479,630	

The notes to the financial statements are an integral part of this statement.

**EKALAKA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2013**

	Trust Funds
Description	Private Purpose Trust Funds
ADDITIONS:	
Miscellaneous revenue	\$ 705
Student activities	135,498
Investment earnings	1,054
Transfers in	225,000
Total Additions	362,257
 DEDUCTIONS:	
Student activities	129,600
Student scholarships	1,250
Total Deductions	130,850
Change in net position	231,407
Net Position-July 1, 2012	248,223
Net Position-June 30, 2013	\$ 479,630

The notes to the financial statements are an integral part of this statement.

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. Summary of Significant Accounting Principles

The financial statements of Ekalaka Public Schools (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

All operations of the District are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the District's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. The District is considered to be an independent reporting entity.

There are no other organizations that are financially dependent on the District or otherwise could be considered component units of the District.

Under State law, the District consists of two legally separate districts, high school and elementary. The high school district includes all of the area covered by the elementary district. The elementary district provides education from kindergarten through the eighth grade and the high school provides education from grades nine through twelve.

Although the districts are accounted for separately because of differences in funding and legal requirements, the two districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The elementary and high school general funds have been combined and reported as the General Fund in the accompanying financial statements.

Basis of Presentation and Basis of Accounting

Government-wide Statements – The statements of net position and the statement of activities show information about the overall financial position and activities of the School District, with the exception of the student activity, endowment, and inter-local agreement funds.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and Federal and State grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.

1. **Summary of Significant Accounting Principles – cont.**

On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

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. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Fund Financial Statements – These statements provide information about the District's funds including a separate statement for the District's fiduciary funds (the student activity fund, endowment funds, and inter-local agreement fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year end are not significant. Deferred revenues are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Major Funds – Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, the District reports the following major governmental funds:

1. **Summary of Significant Accounting Principles – cont.**
Major Funds – cont.

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.

Bus Depreciation Reserve Fund – This fund is used to accumulate monies for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. The fund may not be used to purchase additional athletics/activities buses.

Building Reserve Fund – The Building Reserve Fund is authorized by Section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies. The Building Reserve Fund is a budgeted fund.

The District reports the following fund types:

Trust Funds – The District also has private-purpose trust funds, its student activity fund, which accounts for the extracurricular activities of its students and a scholarship fund, which accounts for funds donated for college scholarships for its graduating seniors.

Inter-local Agreement Fund – The Inter-local Agreement Fund is authorized by Sections 20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA, for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

Cash and Investments

Except for the Extracurricular Fund (a private purpose trust fund), all cash and investments are held by the County Treasurer. All funds deposited are pooled and invested in accordance with state law. Interest earnings are allocated to the District based on average month-end balances. Funds are withdrawn as needed to pay warrants.

It is not practical for the District to determine the investment risk (including amounts invested in financial derivatives), collateral, or insurance coverage for its share of the County’s pooled investments. Information as to the County’s investment pool can be obtained from the County’s annual financial report. The extracurricular funds are deposited in interest-bearing checking and savings accounts covered by FDIC insurance.

Warrants Payable

The District makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named or to the bearer. Warrants issued by the District, but not yet paid by the County Treasurer amounted to \$83,956.

1. **Summary of Significant Accounting Principles – cont.**

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District has inventories that are considered nonspendable. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the General Fund that is not constrained for any particular purpose.

Assigned and committed funds are at the determination of the Board of Trustees.

1. **Summary of Significant Accounting Principles – cont.**
Fund Balance Reporting – cont.

	Major Funds				
	General Fund	High School Bus Depreciation	Elementary Building Reserve	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 49,994	\$ -	\$ -	\$ -	\$ 49,994
Restricted:					
Technology	-	-	-	17,467	17,467
Bus Depreciation	-	239,906	-	91,429	331,335
Food Service	-	-	-	7,044	7,044
Retirement	-	-	-	11,337	11,337
Adult Education	-	-	-	22,159	22,159
Traffic Education	-	-	-	2,360	2,360
Compensated Absences	-	-	-	6,052	6,052
Lease Rental	-	-	-	970	970
School Operations	-	-	-	40,636	40,636
Capital Projects	-	-	113,423	76,088	189,511
Assigned:					
School Operations	110,441	-	-	66,114	176,555
Capital Projects	-	-	-	22,496	22,496
Unassigned	127,625	-	-	-	127,625
Total Fund Balance	\$ <u>288,060</u>	\$ <u>239,906</u>	\$ <u>113,423</u>	\$ <u>364,152</u>	\$ <u>1,005,541</u>

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Capital Assets – Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	7-25 years

Taxes

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. Management does not believe that the accounting method being used results in any material differences.

1. **Summary of Significant Accounting Principles – cont.**

Inventories

Inventories of materials and supplies on hand as of June 30, 2013 are maintained and are stated at cost, first-in, first out. Reported inventories are equally offset by a fund balance restriction which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investments of the nonexpendable fund types to be highly liquid investments and, therefore, cash equivalents.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. The liability for unused vacation and sick leave for governmental fund employees is recorded in the general long-term debt account group. Expenditures for these liabilities are recognized when paid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for

1. **Summary of Significant Accounting Principles – cont.**
New GASB Pronouncements – cont.

deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District has implemented this statement in the year ended June 30, 2013.

2. **Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Compensated absences	<u>\$ (32,999)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-government activities	<u>\$ (32,999)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Depreciation expense	<u>\$ (165,026)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (165,026)</u>

2. **Reconciliation of Government-wide and Fund Financial Statements – cont.**

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ 14,020
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 14,020</u>

3. **Property Taxes**

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

The District is permitted by State statutes to levy taxes for various purposes. The taxes levied by the District for the year ended June 30, 2013 were properly established and were within the legal limits or approved by the voters.

4. **Cash and Investments**

Cash and investments, except for those of the Extracurricular Fund, are held by the County Treasurer in an agency fund. The County Treasurer invests the cash as directed by the District.

Authorized investments allowed by Section 20-9-213, MCA, include direct obligations of the United States government; 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.

At year end, the carrying amount of the District’s bank deposits and bank balance for the Extracurricular Fund was \$46,035. The bank balance was fully covered by Federal Depository Insurance.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits, either in the District’s name or Carter County Treasurer’s name, are held as authorized by the State of Montana.

4. **Cash and Investments – cont.**

Custodial Credit Risk

The investment policy of the District does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of State law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. Governmental entities' money is insured for each "public unit" based on how the account is titled at the financial institution. The District's certificate of deposit is titled in the name of the County Treasurer as the custodian for the District; therefore, the District has separate FDIC coverage from the other funds under the control of the Carter County Treasurer. The Carter County government is considered to have \$250,000 FDIC coverage for demand deposits and \$250,000 FDIC coverage for time and savings deposits in each bank in the State.

All of the District deposits with financial institutions that are in excess of the Federal Depository Insurance limits are held by the investment counterparty, not in the name of the District.

Credit, Interest Rate, and Foreign Currency Risk

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities, as there are no debt securities owned by the District nor does the District own any foreign investments.

5. **Compensated Absences Payable**

Compensated absences payable represent vacation and sick leave earned by employees which is payable upon termination. Compensated absences are shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued vacation payable	\$ 47,019	\$ -	\$ 14,020	\$ 32,999	\$ -

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,900	\$ -	\$ -	\$ 1,900
Total capital assets, not being depreciated	1,900	-	-	1,900
Capital assets, being depreciated:				
Buildings and improvements	2,053,161	-	-	2,053,161
Furniture and equipment	1,046,322	-	53,489	992,833
Total capital assets, being depreciated	3,099,483	-	53,489	3,045,994
Accumulated depreciation for:				
Buildings and improvements	(1,299,152)	(45,651)	-	(1,344,803)
Furniture and equipment	(579,230)	(119,375)	36,841	(661,764)
Total accumulated depreciation	(1,878,382)	(165,026)	36,841	(2,006,567)
Total capital assets, being depreciated, net	1,221,101			1,039,427
Governmental activities capital assets, net	\$ 1,223,001			\$ 1,041,327

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

Governmental activities:	
Instructional services	\$ 6,607
Operation and maintenance of facilities services	7,636
Transportation services	71,704
Unallocated	57,888
Extra curricular	21,191
Total depreciation expense, governmental activities	\$ 165,026

7. Statewide Retirement Plans

The District participates in two statewide cost-sharing multiple-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part time nonteaching employees. The Teachers Retirement System (TRS) covers certified teaching employees. The Public Employees Retirement System (PERS) covers nonteaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: (406) 444-3134	Phone: (406) 444-3154

The financial statements of PERS include activity for the Defined Benefit and Defined Contribution Retirement Plans. The Defined Contribution Plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be co-mingled with those of another plan.

7. Statewide Retirement Plans – cont.

Contribution rates for both plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payrolls, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	7.47	7.15	14.62
PERS	6.80	6.90	13.70
PERS hired after 7/1/11	6.80	7.90	14.70

For the year ended June 30, 2013, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. This is considered an on-behalf payment. The District does not record this contribution in their financial statements which is not in accordance with U.S. generally accepted accounting principles.

The amounts contributed by both the employees and the Districts for the prior three years ended June 30 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
TRS	\$ 93,426	\$ 95,798	\$ 98,067
PERS	39,075	38,641	40,415
	<u>\$ 132,501</u>	<u>\$ 134,439</u>	<u>\$ 138,482</u>

8. Amounts Due From Other Governments

The amounts due from other governments consist of the following:

Special Revenue Funds	
Due from State	\$ <u>13,363</u>

9. Pending Litigation

There was no pending or threatened litigation or unasserted claims or assessments against the District.

10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in the Montana School Groups Worker's Compensation Risk Retention Program, a statewide public risk pool currently operating as a common risk management and insurance program for the member school districts. The District pays quarterly premiums for its employer injury insurance coverage.

The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

The District carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Donated Commodities

The District received donated commodities from the United States Department of Agriculture for use in the food program.

12. Joint Venture

Ekalaka Public Schools is a participant, with a number of other school districts, in the Big Country Special Education Cooperative. The Cooperative is governed by a board comprised of a member from each participating district. The Superintendent of Ekalaka Public Schools represents that District. The Big Country Special Education Cooperative is a joint venture established by an inter-local agreement to offer certain Special Education services to all handicapped students in compliance with State and Federal law. Ekalaka Public Schools has an ongoing financial responsibility to fund their proportionate share of the total cooperative budget. Financial statement information can be obtained from the Cooperative.

13. Subsequent Events

The District has evaluated subsequent events through the date of this report.

14. Transfers

The District made the following transfers:

Multi-district Agreement Transfers:

HS Bus Depreciation	\$ (185,000)
HS Adult Education	(5,000)
HS Building Reserve	(15,000)
EL Bus Depreciation	(5,000)
EL Building Reserve	(15,000)
HS Interlocal Agreement	225,000

School Safety SB348 Transfers:

HS Transportation	\$ (7,165)
HS Tuition	(3,553)
HS Building Reserve	10,718
EL General	(30,000)
EL Transportation	(8,875)
EL Building Reserve	38,875

**REQUIRED
SUPPLEMENTAL SCHEDULES**

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 587,651	\$ 587,651	\$ 588,908	\$ 1,257
Earnings on investments	2,068	2,068	744	(1,324)
Other local sources	187	187	-	(187)
State aid	716,636	716,636	708,132	(8,504)
Federal aid	-	-	-	-
Total revenues	<u>1,306,542</u>	<u>1,306,542</u>	<u>1,297,784</u>	<u>(8,758)</u>
Expenditures:				
Current:				
Instructional services	490,842	490,842	505,719	(14,877)
Supporting services:				
Students	44,939	44,939	47,947	(3,008)
Instructional staff	32,971	32,971	31,610	1,361
District administration	88,420	88,420	83,843	4,577
Business services	127,812	127,812	140,318	(12,506)
Operation and maintenance of facilities	238,520	238,520	206,403	32,117
Special Education	30,495	30,495	27,661	2,834
Vocational programs	128,555	128,555	134,439	(5,884)
Extracurricular Programs	76,168	76,168	75,125	1,043
Food Services	43,937	43,937	57,101	(13,164)
Capital outlay	8,995	8,995	-	8,995
Total expenditures	<u>1,311,654</u>	<u>1,311,654</u>	<u>1,310,166</u>	<u>1,488</u>
Excess of revenues over (under) expenditures	<u>(5,112)</u>	<u>(5,112)</u>	<u>(12,382)</u>	<u>(7,270)</u>
Other financing sources (uses):				
Transfer out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(30,000)</u>	<u>(28,800)</u>
Net change in fund balances	<u>\$ (6,312)</u>	<u>\$ (6,312)</u>	<u>(42,382)</u>	<u>\$ (36,070)</u>
Fund balances - beginning - Budget basis			<u>204,027</u>	
Fund balances - ending - Budget basis			161,645	
Change in inventory			15,974	
Fund balance - GAAP basis			<u>\$ 177,619</u>	

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
High School Bus Depreciation Fund
Year Ended June 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 95,068	\$ 95,068	\$ 95,114	\$ 46
Earnings on investments	-	-	1,370	1,370
Other local sources	-	-	-	-
State aid	30,000	30,000	19,780	(10,220)
Total revenues	<u>125,068</u>	<u>125,068</u>	<u>116,264</u>	<u>(8,804)</u>
Expenditures:				
Transportation	-	-	-	-
Capital outlay	433,711	433,711	-	433,711
Total expenditures	<u>433,711</u>	<u>433,711</u>	<u>-</u>	<u>433,711</u>
Excess of revenues over expenditures	<u>(308,643)</u>	<u>\$ (308,643)</u>	<u>116,264</u>	<u>424,907</u>
Other Financing Sources (uses):				
Transfer out	-	-	(185,000)	(185,000)
Net change in fund balances	<u>\$ (308,643)</u>	<u>\$ (308,643)</u>	<u>(68,736)</u>	<u>\$ 239,907</u>
Fund balances - beginning - Budget and GAAP basis			<u>308,642</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 239,906</u>	

**EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES
JUNE 30, 2013**

Budgets

An annual appropriated budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other governmental fund types classified by State law as budgeted funds. All budgets are formulated in accordance with State law and are prepared on the basis of accounting described above for fund financial statements. The General Fund budgets are based on the State's Foundation Program, which is designed to equalize taxing efforts throughout the State and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers, if applicable.

Preliminary budgets must be adopted by August 15 and the final budget on the fourth Monday in August. Budget appropriations not expended or obligated (as described above) lapse at the end of the fiscal year.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General, Special Revenue, and Capital Projects Funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria" established by the Office of Public Instruction in the Montana School Accounting Manual and as defined in the Administrative Rules of Montana (ARM 10.10.101). The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.
2. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2013, the District incurred \$0 encumbrances.

Notes to Required Supplemental Information – cont.

Reporting

The Statement of Revenues, Expenditures, and Changes in Fund Balances, on page 8, combines the General and Flexibility Funds.

	<u>General</u>	<u>HS Flexibility</u>	<u>Total</u>
Fund balance, beginning	\$ 212,315	\$ 100,811	\$ 313,126
Revenues	1,297,784	14,999	1,312,783
Expenditures/transfers	1,348,454	5,369	1,353,823
Inventory change	15,974	-	15,974
Fund balance, ending	\$ <u>177,619</u>	\$ <u>110,441</u>	\$ <u>288,060</u>

SUPPLEMENTAL SCHEDULES

**EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA**

**SCHEDULE OF SCHOOL DISTRICT ENROLLMENT
YEAR ENDED JUNE 30, 2013**

FALL ENROLLMENT 10\12	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
<u>Elementary Schools</u>		
By Budget Unit:		
Kindergarten	12	12
Grades One - Three	24	24
Grades Four - Six	23	23
Grades Seven - Eight	15	15
Total	<u>74</u>	<u>74</u>
<u>High School</u>		
Grades Nine - Twelve	<u>37</u>	<u>37</u>

SPRING ENROLLMENT 2\13	<u>Audit Per District Records</u>	<u>Enrollment Report</u>
<u>Elementary Schools</u>		
By Budget Unit:		
Kindergarten	11	11
Grades One - Three	25	25
Grades Four - Six	24	24
Grades Seven - Eight	14	14
Total	<u>74</u>	<u>74</u>
<u>High School</u>		
Grades Nine - Twelve	<u>35</u>	<u>35</u>

EKALAKA PUBLIC SCHOOLS
Schedule of Changes in Assets and Liabilities
Student Activities Fund
Year Ended June 30, 2013

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
EGS-STUDENT SUPPLIES	\$ 247	\$ 1,362	\$ 1,389	\$ 220
EGS-K-6 MUSIC	51	-	-	51
EGS-JH MUSIC	30	-	-	30
C-CLUB	1,376	2,112	-	3,488
ANNUAL	4,847	4,785	5,839	3,793
ATHLETICS	5,542	35,589	34,991	6,140
CLASS OF 2012	842	139	981	-
CLASS OF 2013	1,232	-	310	922
CLASS OF 2014	4,088	540	4,194	434
CLASS OF 2015	2,521	740	352	2,909
CLASS OF 2016	1,683	600	-	2,283
CLASS OF 2017	-	703	-	703
CLASS OF 2018	-	240	-	240
ENTREPRENEURSHIP	6,192	4,397	8,724	1,865
CONCESSIONS	379	16,769	13,076	4,072
CLOSE-UP	615	21,933	14,069	8,479
FCCLA	4,001	25,306	25,491	3,816
FFA	3,219	15,789	14,228	4,780
MUSIC	1,301	5,666	6,917	50
SCIENCE CLUB	157	3,189	3,275	71
SPEECH	107	88	172	23
STUDENT COUNCIL	1,705	8,901	8,942	1,664
Total Student Activities	<u>\$ 40,135</u>	<u>\$ 148,848</u>	<u>\$ 142,950</u>	<u>\$ 46,033</u>

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Budgeted Special Revenue Funds
Year Ended June 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 181,809	\$ 181,809	\$ 182,974	\$ 1,165
Earnings on investments	200	200	1,315	1,115
Other local sources	196,424	196,424	202,916	6,492
State aid	119,248	119,248	103,494	(15,754)
Total revenues	<u>497,681</u>	<u>497,681</u>	<u>490,699</u>	<u>(6,982)</u>
Expenditures:				
Current:				
Instructional services	279,430	279,430	75,520	203,910
Supporting services:				
Students	2,326	2,326	4,403	(2,077)
Instructional staff	71,993	71,993	61,859	10,134
District administration	44,923	44,923	48,339	(3,416)
Business services	22,816	22,816	22,968	(152)
Operation and maintenance of facilities	13,235	13,235	20,690	(7,455)
Transportation	205,881	205,881	196,438	9,443
Adult Education	32,800	32,800	8,930	23,870
Special Education	12,690	12,690	7,297	5,393
Vocational Programs	15,094	15,094	14,449	645
Extracurricular Programs	8,569	8,569	6,329	2,240
Food Services	6,331	6,331	5,547	784
Capital outlay	96,171	96,171	-	96,171
Total expenditures	<u>812,259</u>	<u>812,259</u>	<u>472,769</u>	<u>339,490</u>
Excess of revenues over (under) expenditures	<u>(314,578)</u>	<u>(314,578)</u>	<u>17,930</u>	<u>332,508</u>
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	-	(29,593)	(29,593)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(29,593)</u>	<u>(29,593)</u>
Net change in fund balances	<u>\$ (314,578)</u>	<u>\$ (314,578)</u>	(11,663)	<u>\$ 302,915</u>
Fund balances - beginning - Budget and GAAP basis			330,611	
Fund balances - ending - Budget and GAAP basis			<u>\$ 318,948</u>	

EKALAKA PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Budgeted Capital Project Funds
Year Ended June 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ -	\$ -	\$ 44	\$ 44
Earnings on investments	1,200	1,200	659	(541)
State aid	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>703</u>	<u>(497)</u>
Expenditures:				
Operations and Maintenance	<u>177,190</u>	<u>177,190</u>	<u>6,775</u>	<u>170,415</u>
Total expenditures	<u>177,190</u>	<u>177,190</u>	<u>6,775</u>	<u>170,415</u>
Excess of revenues over (under) expenditures	<u>(175,990)</u>	<u>(175,990)</u>	<u>(6,072)</u>	<u>169,918</u>
Other financing sources (uses):				
Transfer in	-	-	49,593	49,593
Transfer out	-	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,593</u>	<u>19,593</u>
Net change in fund balances	<u>\$ (175,990)</u>	<u>\$ (175,990)</u>	<u>13,521</u>	<u>\$ 189,511</u>
Fund balances - beginning - Budget and GAAP basis			<u>175,990</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 189,511</u>	



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Licensed in North Dakota and Montana

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
Ekalaka Public Schools
Ekalaka, Montana 59324

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 Ekalaka Public Schools, Ekalaka, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Ekalaka Public Schools, Ekalaka, Montana's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ekalaka Public Schools, Ekalaka, 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 Ekalaka Public Schools, Ekalaka, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Ekalaka Public Schools, Ekalaka, Montana's internal control.

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

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

Purpose of this Report

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

James J. Wosepka, PC

By  James J. Wosepka, CPA

Baker, Montana
November 8, 2013

EKALAKA PUBLIC SCHOOLS
EKALAKA, MONTANA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

SEGREGATION OF DUTIES

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The Districts have implemented compensating controls to the extent practical and we are not recommending further action at this time. However, we believe Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner than would be the case if duties were appropriately segregated.

Recommendation

No further action is required at this time.

PRIOR YEAR COMMENTS

A summary of the prior year's comment for the Ekalaka Public Schools is as follows:

<u>Finding</u>	<u>Status</u>
Finding - Segregation of duties - Due to the small size of the entity there was an absence of segregation of duties.	N/A Same as current year