

**EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

**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, 2012**

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**EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA  
JUNE 30, 2012**

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# **Ekalaka Public Schools**

## **Ekalaka, Montana**

### **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2012**

Our discussion and analysis of the Ekalaka Public Schools' financial performance provides an overview of financial activities for the fiscal year ended June 30, 2012.

#### 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 dramatically changed school funding in several areas during the 2011 Legislative Session by passing Senate Bill 329. Some of the highlights of this bill were:

- One-Time transfer from General Fund
- Creation of Multi-District Agreements with the ability to transfer funds from any budgeted fund (with the exception of Retirement & Debt Service) into the Interlocal Agreement Fund (82).
- Incentive money for participating in a multidistrict cooperative in FY2013.
- Limiting the general fund end-of-the-year fund balance that is not reserved to a maximum of 15% of the maximum general fund budget.
- Marginally increasing the Basic and per-ANB-entitlements for FY12 & FY13 from what was previously projected. Overall there was still a decrease from prior year due to the fact that American Recovery & Reinvestment Act, or ARRA funds were being paid into the school districts' General Funds during FY 2010 and FY 2011.
- Capping the ending fund balance on all budgeted funds (excluding building reserve, debt service and bus depreciation) to 300% of the maximum general fund budget beginning July 1, 2016.
- Establishing minimum percentages of oil and gas revenue that must be budgeted and deposited in the general funds. For FY12 that minimum is 25%. It increases by 10% each year with a cap of 55% by year 2015.

The amount the voters needed to approve in order for the schools to adopt their maximum general fund budgets was reduced because of increased state funding, but not before the ballots were already in the hands of the voters. The elementary levy passed; however, the high school levy failed and the Trustees were forced to use their prior year excess reserves so as not to lose budget authority.

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>FY 2011-2012</u>	<u>3 Year Avg ANB</u>
Ekalaka K-6	52	57
Ekalaka 7-8	18	22
CCHS	37	45

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

Net assets exceeded liabilities by \$2,281,487 as of June 30, 2012. The Net Assets Table presents a comparative summary of the District's net assets for the fiscal years ended June 30, 2011 and 2012. 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 \$514,186.

<b>Net Assets</b>		
	<b>2011</b>	<b>2012</b>
<b>ASSETS</b>		
Current Assets	\$ 1,098,252	1,109,580
Capital assets-net	1,352,515	1,223,003
<b>Total assets</b>	<b>\$ 2,450,767</b>	<b>2,332,583</b>
<b>LIABILITIES</b>		
Current	52,699	7,077
Noncurrent	33,546	44,019
<b>Total liabilities</b>	<b>86,245</b>	<b>51,096</b>
<b>NET ASSETS</b>		
Invested in Capital assets	1,352,515	1,223,003
Unrestricted net assets	223,067	514,186
Restricted net assets	788,940	544,298
<b>Total Net Assets</b>	<b>2,364,522</b>	<b>2,281,487</b>

Changes in revenues were as follows:

Revenues	2011	2012	% +/-
Property taxes	699,023	845,217	0.209
Earnings on investments	19,402	7,626	-0.606
School lunch sales	22,581	16,680	-.0261
Other local sources	160,354	264,489	0.649
State Aid	959,338	940,239	-0.020
Federal Aid	213,420	123,833	-0.420
Total Revenues	2,070,929	2,198,084	0.065

Interest is at an all-time low, down over 1.5% from last year, which was also a dismal year for investments.

Bentonite mining revenue continues to fluctuate making accurate budgeting nearly impossible. Bentonite revenue is tied directly to mills in all high school budgeted fund, and has a major impact on the high school's cash flow. Bentonite does not impact the elementary, as there are no mines in District #15.

#### Bentonite Revenue

2012	2011	2010	2009	2008
88,891.00	145,200.30	69,157.16	148,364.75	204,454.19

As previously noted, with the adoption of SB329, how oil and gas revenue is dispersed to schools has changed. It is no longer distributed in a relative proportion of the mill levy for each fund. The district budgeted and receipted 25% of their total revenue into the general fund and the remainder was deposited into the flexibility funds (29). This amount will increase to 35% in FY13, as per state law.

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	2011	2012	\$ +/-	% +/-
Instructional services	732,302	703,056	-29,246	-0.040
Students	67,988	46,213	-21,775	-0.320
Instructional staff	53,025	74,776	21,751	0.410
District administration	111,879	116,137	4,258	0.038
Business services	129,816	130,126	310	0.002
Operation & Maintenance of facilities	297,123	266,977	-30,146	-0.101
Transportation	260,901	271,900	10,999	0.042
Special education	76,332	64,781	-11,551	-0.151

Adult education	1,451	480	-971	-0.669
Vocational programs	156,276	149,441	-6,835	-0.044
Extracurricular programs	102,516	109,625	7,109	0.069
Food services	88,186	95,361	7,175	0.081
Unallocated depreciation	55,270	58,246	2,976	0.054
Transfer	0	194,000	194,000	0.000
<b>Total Expenditures</b>	2,133,065	2,281,119	148,054	0.069

Some of the larger changes from 2011 vs. 2012 can be identified as follows:

Capital outlay:

- o The district used the balance of the deferred maintenance and Energy Efficiency money to purchase a skid steer in 2011.
- o The district did not purchase a school bus in 2012.

Maintenance:

- o The district incurred a large expense in 2011 to repair the main hot water line leading into the high school as well as shingling the boiler room roof due to wind damages. Several electrical upgrades were also performed in 2011.

Special Education:

- o Our special education teacher retired in 2011 and was replaced by a first year teacher.

THE FUTURE OF THE DISTRICT

\*The district has an imminent need to replace the existing elementary building. For this purpose, the districts entered into a multidistrict agreement. These funds are in fund 282, as the high school is the fiscal agent. The district plans to continue the multidistrict agreement.

\*A portion of the General Fund budgets for both FY 2010 and FY 2011 were being supported by ARRA State Fiscal Stabilization Funds. This money came to us through the direct state aid payment in the basic and per-ANB entitlements. It is interesting to note that the 2011 Legislature 'increased' state support for direct state aid payments; however, overall there was still a decrease in support due to the one-time effect of ARRA funds.

\* Salary and benefits for the FY13 Collective Bargaining Agreement remained the same as FY12.

Entitlement	FY 2010	FY 2011	Pre-Legislative FY 2012	Post-Legislative FY 2012	FY 2013
Elementary Basic	\$ 22,580	\$ 23,257	\$ 22,805	\$ 23,033	\$ 23,593
Middle School Basic	\$ 63,945	\$ 65,863	\$ 64,585	\$ 65,231	\$ 66,816
High School Basic	\$ 250,958	\$ 258,487	\$ 253,468	\$ 256,003	\$ 262,224
Elem Per-ANB	\$ 4,857	\$ 5,003	\$ 4,906	\$ 4,955	\$ 5,075
HS Per-ANB	\$ 6,218	\$ 6,405	\$ 6,280	\$ 6,343	\$ 6,497



\* The high school general fund election was successful allowing the district to adopt the maximum general fund budget for FY13. There was concern in this area, as the levy for the FY12 budget failed.

\*With the retirement & subsequent RIF of a teaching position, the district added three (3) paraprofessional positions to address combined classrooms in grades K-6.

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, 2012

BOARD OF TRUSTEES

Les Kreitel	Chairperson
Scott Kittelmann	Trustee
Donny Cole	Trustee
Nadine Elmore	Trustee
Cassidy Jespersen	Trustee
Michelle Tooke	Trustee
Helen King	Trustee

OFFICIALS

Allison Hardin	District Superintendent
Marilyn Hutchinson	County Superintendent
Albert R. Batterman	County Attorney
Lora Tauck	Clerk of Board

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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

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, 2012 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 remaining fund information of Ekalaka Public Schools, Ekalaka, Montana, at June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 through vi and 22 through 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ekalaka Public School's financial statements as a whole. The accompanying information on pages 26 through 30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

James J. Wosepka, PC

By  *James J. Wosepka*  
CMA

November 13, 2012  
Baker, Montana

**EKALAKA PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
June 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,070,805
Taxes receivable	3,039
Due from other governments	1,716
Inventories	34,020
Capital assets not being depreciated	
Land	1,900
Capital assets being depreciated (net of accumulated depreciation)	1,221,103
<b>Total Assets</b>	<b>2,332,583</b>
<b>LIABILITIES</b>	
Deferred revenue	4,077
Noncurrent liabilities:	
Due within one year	3,000
Due in more than one year	44,019
<b>Total Liabilities</b>	<b>51,096</b>
<b>NET ASSETS</b>	
Invested in Capital assets	1,223,003
Unrestricted net assets	514,186
Restricted net assets:	
Transportation	16,670
Bus Depreciation	381,764
Retirement	18,694
Technology	34,700
Capital Projects	11,707
Other Educational Purposes	80,763
<b>Total Net Assets</b>	<b>\$ 2,281,487</b>

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

**EKALAKA PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Governmental Activities
<b>Primary government:</b>				
Instructional services	\$ 703,056	\$ 900	\$ 92,750	\$ (609,406)
Supporting services:				
Students	46,213	-	-	(46,213)
Instructional staff	74,776	-	581	(74,195)
District administration	116,137	-	-	(116,137)
School administration	-	-	-	-
Business services	130,126	-	550	(129,576)
Operation & maintenance of facility	266,977	-	212	(266,765)
Transportation	271,900	-	126,413	(145,487)
Special education	64,781	-	32,470	(32,311)
Adult education	480	-	-	(480)
Vocational education	149,441	-	8,442	(140,999)
Extracurricular programs	109,625	-	-	(109,625)
School lunch services	95,361	16,680	27,567	(51,114)
Unallocated depreciation	58,246	-	-	(58,246)
Transfers	194,000	-	-	(194,000)
<b>Total governmental activities</b>	<b>\$ 2,281,119</b>	<b>\$ 17,580</b>	<b>\$ 288,985</b>	<b>\$ (1,974,554)</b>
General revenues:				
Property taxes				845,217
Unrestricted Federal/State shared revenues				464,591
Unrestricted grants and contributions				555,946
Unrestricted investment earnings				7,626
Miscellaneous				18,139
<b>Total general revenues and transfers</b>				<b>1,891,519</b>
Change in net assets				(83,035)
Total net assets - July 1, 2011				2,364,522
Total net assets - June 30, 2012				<b>\$ 2,281,487</b>

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

**EKALAKA PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

Description	Major Funds				Total Governmental Funds
	General	High School Bus Depreciation	High School Miscellaneous	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 178,296	\$ 308,642	\$ 15,784	\$ 568,083	\$ 1,070,805
Taxes receivable	2,141	234	-	664	3,039
Due from other governments	-	-	-	1,716	1,716
Inventories	34,020	-	-	-	34,020
<b>Total Assets</b>	<b>214,457</b>	<b>308,876</b>	<b>15,784</b>	<b>570,463</b>	<b>1,109,580</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenue	2,141	234	4,077	664	7,116
<b>Total Liabilities</b>	<b>2,141</b>	<b>234</b>	<b>4,077</b>	<b>664</b>	<b>7,116</b>
Fund balances:					
Nonspendable	34,020	-	-	-	34,020
Spendable:					
Restricted	-	308,642	11,707	223,045	543,394
Assigned	8,288	-	-	346,754	355,042
Unassigned	170,008	-	-	-	170,008
<b>Total fund balances</b>	<b>212,316</b>	<b>308,642</b>	<b>11,707</b>	<b>569,799</b>	<b>1,102,464</b>
<b>Total liabilities and fund balances</b>	<b>\$ 214,457</b>	<b>\$ 308,876</b>	<b>\$ 15,784</b>	<b>\$ 570,463</b>	

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

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

1,223,003

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

3,039

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

(47,019)

**Total Net Assets - Governmental Funds**

**\$ 2,281,487**

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, 2012**

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	High School Bus Depreciation	High School Miscellaneous		
<b>REVENUES</b>					
Property taxes	\$ 536,922	\$ 102,465	\$ -	\$ 212,808	\$ 852,195
Earnings on investments	2,068	2,225	-	3,333	7,626
School lunch sales	-	-	-	16,680	16,680
Other local sources	187	-	10,739	253,563	264,489
State aid	741,398	39,650	5,093	154,098	940,239
Federal aid	550	-	19,959	103,324	123,833
<b>Total Revenues</b>	<b>1,281,125</b>	<b>144,340</b>	<b>35,791</b>	<b>743,806</b>	<b>2,205,062</b>
<b>EXPENDITURES</b>					
Current:					
Instructional services	506,194	-	5,217	193,657	705,068
Supporting services:					
Students	35,872	-	4,516	5,825	46,213
Instructional staff	37,416	-	491	36,869	74,776
District administration	90,047	-	-	26,090	116,137
School administration	-	-	-	-	-
Business services	119,271	-	-	10,855	130,126
Operation & maintenance of facilities	223,650	-	-	24,446	248,096
Transportation	-	-	-	200,196	200,196
Special education	25,815	-	9,623	29,343	64,781
Adult education	-	-	-	480	480
Vocational programs	125,686	-	6,249	17,506	149,441
Extracurricular programs	82,497	-	-	5,937	88,434
Food services	48,224	-	-	47,137	95,361
Capital outlay	6,965	-	-	40,152	47,117
<b>Total Expenditures</b>	<b>1,301,637</b>	<b>-</b>	<b>26,096</b>	<b>638,493</b>	<b>1,966,226</b>
<b>Excess of revenues (under) over expenditures</b>	<b>(20,512)</b>	<b>144,340</b>	<b>9,695</b>	<b>105,313</b>	<b>238,836</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	1,700	1,700
Transfers out	(1,700)	(100,000)	-	(94,000)	(195,700)
<b>Total other financing sources (uses)</b>	<b>(1,700)</b>	<b>(100,000)</b>	<b>-</b>	<b>(92,300)</b>	<b>(194,000)</b>
<b>Net change in fund balances</b>	<b>(22,212)</b>	<b>44,340</b>	<b>9,695</b>	<b>13,013</b>	<b>44,836</b>
<b>Fund balances - July 1, 2011</b>	<b>215,436</b>	<b>264,302</b>	<b>2,012</b>	<b>556,786</b>	<b>1,038,536</b>
<b>Change in inventory</b>	<b>19,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,092</b>
<b>Fund balances - June 30, 2012</b>	<b>\$ 212,316</b>	<b>\$ 308,642</b>	<b>\$ 11,707</b>	<b>\$ 569,799</b>	<b>\$ 1,102,464</b>

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



**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, 2012**

<b>Net change in fund balances - total governmental funds (page 7)</b>	<u>\$ 44,836</u>
Amounts reported for governmental activities in the statement of activities (page 5) 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	47,117
Depreciation expense	<u>(165,384)</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	(11,245)
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>(6,978)</u>
Adjust for Change in Inventory	<u>19,092</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>(10,473)</u>
<b>Change in Net Assets in Governmental Activities</b>	<u><u>\$ (83,035)</u></u>

**EKALAKA PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012**

Description	Trust Funds	Agency Funds
	Private Purpose Trust Funds	Agency Composite
<b>ASSETS</b>		
Cash and cash equivalents	\$ 248,223	\$ 83,507
<b>Total Assets</b>	<b>248,223</b>	<b>83,507</b>
<b>LIABILITIES</b>		
Warrants payable	-	81,402
Due to others	-	2,105
<b>Total Liabilities</b>	<b>-</b>	<b>83,507</b>
<b>NET ASSETS</b>		
Held in trust for student scholarships	14,088	
Held in trust for interlocal agreement	194,000	
Held in trust for student activities	40,135	
	<b>\$ 248,223</b>	

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

**EKALAKA PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2012**

Description	<u>Trust Funds</u> Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Miscellaneous revenue	\$ 2,250
Student activities	123,873
Investment earnings	112
Transfers in	194,000
<b>Total Additions</b>	<b>320,235</b>
 <b>DEDUCTIONS:</b>	
Student activities	124,876
<b>Total Deductions</b>	<b>124,876</b>
Change in net assets	195,359
Net assets-July 1, 2011	52,864
Net Assets-June 30, 2012	<b>\$ 248,223</b>

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

**EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. Summary of Significant Accounting Principles**

The significant accounting policies followed by the Ekalaka Public Schools (the District) are presented 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 assets 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 and endowment 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. 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.

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

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 and endowment funds). 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:

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.

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

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.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state, or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this 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.

Interlocal Agreement Fund – The Interlocal 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 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 \$81,402.

**Fund Balance Reserves and Designations**

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use.

1. **Summary of Significant Accounting Principles – cont.**  
**Fund Balance Reserves and Designations – cont.**

The reserves for revolving fund, stores inventory, prepaid expenditures, and legally restricted balances reflect the portions of fund balance represented by each respective account. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**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 balances 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 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.**

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>High School Bus Depreciation</u>	<u>High School Miscellaneous</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventories	\$ 34,020	\$ -	\$ -	\$ -	\$ 34,020
Restricted:					
Technology	-	-	-	34,559	34,559
Transportation	-	-	-	16,423	16,423
Bus Depreciation	-	308,642	-	72,786	381,428
Food Service	-	-	-	2,735	2,735
Retirement	-	-	-	18,669	18,669
Adult Education	-	-	-	18,694	18,694
Traffic Education	-	-	-	285	285
Compensated Absences	-	-	-	8,473	8,473
Lease Rental	-	-	-	2,020	2,020
Tuition	-	-	-	20,911	20,911
School Operations	-	-	11,707	27,490	39,197
Assigned:					
Flexibility	-	-	-	148,960	148,960
School Operations	8,288	-	-	-	8,288
Capital Projects	-	-	-	197,794	197,794
Unassigned	170,008	-	-	-	170,008
Total Fund Balance	<u>\$ 212,316</u>	<u>\$ 308,642</u>	<u>\$ 11,707</u>	<u>\$ 569,799</u>	<u>\$ 1,102,464</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, 2012 are maintained and are stated at cost, first-in, first out. Reported inventories are equally offset by a fund balance reserve 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.

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 assets**

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. 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>\$ (47,019)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-government activities	<u><u>\$ (47,019)</u></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**

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

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 assets 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:

Capital outlay	\$ 47,117
Depreciation expense	<u>(165,384)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (118,267)</u>

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	<u>\$ (10,473)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (10,473)</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, 2012 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 \$40,135. 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.

**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>
<b>Governmental activities:</b>					
Accrued vacation payable	\$ 36,546	\$ 10,473	\$ -	\$ 47,019	\$ -

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
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	2,084,883	-	31,722	2,053,161
Furniture and equipment	999,205	47,117	-	1,046,322
Total capital assets, being depreciated	3,084,088	47,117	31,722	3,099,483
Accumulated depreciation for:				
Buildings and improvements	(1,272,591)	(47,038)	20,477	(1,299,152)
Furniture and equipment	(460,884)	(118,346)	-	(579,230)
Total accumulated depreciation	(1,733,475)	(165,384)	20,477	(1,878,382)
Total capital assets, being depreciated, net	1,350,613			1,221,101
Governmental activities capital assets, net	\$ 1,352,513			\$ 1,223,001

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

<b>Governmental activities:</b>	
Instructional services	\$ 6,607
Operation and maintenance of facilities services	7,636
Transportation services	71,704
Unallocated	58,246
Extra curricular	21,191
Total depreciation expense, governmental activities	\$ 165,384

**7. State-Wide Retirement Plans**

The District participates in two state-wide, cost-sharing, multiple-employer, defined benefit retirement plans, which cover all employees, except certain substitute teachers and part-time non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees. The Public Employees' Retirement System (PERS) covers non-teaching 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.

**7. State-Wide Retirement Plans – cont.**

Those reports may be obtained from the following:

Teachers' Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, MT 59620-0139  
Phone: (406) 444-3134

Public Employees Retirement System  
P.O. Box 200131  
1712 Ninth Avenue  
Helena, MT 59620-0131  
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.

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, 2012, 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>2012</u>	<u>2011</u>	<u>2010</u>
TRS	\$ 95,798	\$ 98,067	\$ 93,357
PERS	38,641	40,415	38,494
	<u>\$ 134,439</u>	<u>\$ 138,482</u>	<u>\$ 131,851</u>

**8. Amounts Due From Other Governments**

The amounts due from other governments consist of the following:

Special Revenue Funds	
Due from State	\$ <u>1,716</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 Workers'

10. **Risk Management – cont.**

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.

**REQUIRED  
SUPPLEMENTAL SCHEDULES**

**EKALAKA PUBLIC SCHOOLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 528,268	\$ 528,268	\$ 536,922	\$ 8,654
Earnings on investments	5,480	5,480	2,068	(3,412)
Other local sources	70	70	187	117
State aid	747,949	747,949	741,398	(6,551)
Federal aid	-	-	550	550
Total revenues	<u>1,281,767</u>	<u>1,281,767</u>	<u>1,281,125</u>	<u>(642)</u>
<b>Expenditures:</b>				
Current:				
Instructional services	510,680	510,680	507,564	3,116
Supporting services:				
Students	37,554	37,554	35,872	1,682
Instructional staff	40,511	40,511	37,416	3,095
District administration	93,685	93,685	91,434	2,251
Business services	122,062	122,062	120,421	1,641
Operation and maintenance of facilities	230,785	230,785	223,906	6,879
Special Education	28,345	28,345	25,815	2,530
Vocational programs	123,915	123,915	125,686	(1,771)
Extracurricular Programs	79,708	79,708	82,902	(3,194)
Food Services	43,500	43,500	48,224	(4,724)
Capital outlay	-	-	6,965	(6,965)
Total expenditures	<u>1,310,745</u>	<u>1,310,745</u>	<u>1,306,205</u>	<u>4,540</u>
Excess of revenues over (under) expenditures	<u>(28,978)</u>	<u>(28,978)</u>	<u>(25,080)</u>	<u>3,898</u>
<b>Other financing sources (uses):</b>				
Transfer out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,700)</u>	<u>(500)</u>
Net change in fund balances	<u>\$ (30,178)</u>	<u>\$ (30,178)</u>	<u>(26,780)</u>	<u>\$ 3,398</u>
Fund balances - beginning - Budget basis			211,716	
Fund balances - ending - Budget basis			<u>184,936</u>	
Change in inventory			19,092	
Encumbrances			8,288	
Fund balance - GAAP basis			<u>\$ 212,316</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, 2012**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 101,929	\$ 101,929	\$ 102,465	\$ 536
Earnings on investments	4,000	4,000	2,225	(1,775)
Other local sources	-	-	-	-
State aid	60,000	60,000	39,650	(20,350)
Total revenues	<u>165,929</u>	<u>165,929</u>	<u>144,340</u>	<u>(21,589)</u>
<b>Expenditures:</b>				
Transportation	430,232	430,232	-	430,232
Capital outlay	-	-	-	-
Total expenditures	<u>430,232</u>	<u>430,232</u>	<u>-</u>	<u>430,232</u>
Excess of revenues over expenditures	<u>(264,303)</u>	<u>\$ (264,303)</u>	<u>144,340</u>	<u>408,643</u>
<b>Other Financing Sources (uses):</b>				
Transfer out	-	-	(100,000)	(100,000)
Net change in fund balances	<u>\$ (264,303)</u>	<u>(264,303)</u>	44,340	<u>\$ 308,643</u>
<b>Fund balances - beginning - Budget and GAAP basis</b>			<u>264,302</u>	
<b>Fund balances - ending - Budget and GAAP basis</b>			<u>\$ 308,642</u>	

**EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA**

**NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES**

JUNE 30, 2012

**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 effort 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, 2012, the District incurred \$9,118 encumbrances.

**SUPPLEMENTAL SCHEDULES**

**EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA**

SCHEDULE OF SCHOOL DISTRICT ENROLLMENT  
YEAR ENDED JUNE 30, 2012

<b>FALL ENROLLMENT 10\11</b>	<b><u>Audit Per District Records</u></b>	<b><u>Enrollment Report</u></b>
<u>Elementary Schools</u>		
By Budget Unit:		
Kindergarten	4	4
Grades One - Three	25	25
Grades Four - Six	23	23
Grades Seven - Eight	18	18
<b>Total</b>	<u>70</u>	<u>70</u>
<u>High School</u>		
Grades Nine - Twelve	<u>36</u>	<u>36</u>
 <b>SPRING ENROLLMENT 2\12</b>		
<u>Elementary Schools</u>		
By Budget Unit:		
Kindergarten	4	4
Grades One - Three	25	25
Grades Four - Six	23	23
Grades Seven - Eight	18	18
<b>Total</b>	<u>70</u>	<u>70</u>
<u>High School</u>		
Grades Nine - Twelve	<u>38</u>	<u>38</u>

**EKALAKA PUBLIC SCHOOLS**  
**Schedule of Changes in Assets and Liabilities**  
**Student Activities Fund**  
**Year Ended June 30, 2012**

	<u>Net Assets at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at</u> <u>June 30, 2012</u>
EGS-STUDENT SUPPLIES	\$ 563	\$ 368	\$ 684	\$ 247
EGS-K-6 MUSIC	300	1	250	51
EGS-JH MUSIC	280	-	250	30
CLASS OF 2010	351	-	351	-
CLASS OF 2016	1,027	656	-	1,683
CLASS OF 2015	1,604	917	-	2,521
C-CLUB	1,180	301	105	1,376
ANNUAL	3,234	3,271	1,658	4,847
CLASS OF 2014	3,092	996	-	4,088
ATHLETICS	2,477	37,455	34,390	5,542
CLASS OF 2011	751	-	751	-
CLASS OF 2012	2,665	2	1,825	842
CLASS OF 2013	3,744	1,051	3,563	1,232
ENTREPRENEURSHIP	3,802	5,637	3,247	6,192
CONCESSIONS	1,009	17,634	18,264	379
CLOSE-UP	2,587	25,572	27,544	615
FCCLA	6,085	11,324	13,408	4,001
FFA	4,615	14,975	16,371	3,219
MUSIC	787	6,706	6,192	1,301
SCIENCE CLUB	97	1,505	1,445	157
SPEECH	107	-	-	107
STUDENT COUNCIL	781	8,433	7,509	1,705
Total Student Activities	<u>\$ 41,138</u>	<u>\$ 136,804</u>	<u>\$ 137,807</u>	<u>\$ 40,135</u>

**EKALAKA PUBLIC SCHOOLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Budgeted Special Revenue Funds**  
**Year Ended June 30, 2012**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 211,049	\$ 211,049	\$ 212,393	\$ 1,344
Earnings on investments	2,700	2,700	1,413	(1,287)
Other local sources	212,944	212,944	213,006	(62)
State aid	144,631	144,631	154,098	9,467
Total revenues	<u>571,324</u>	<u>571,324</u>	<u>580,910</u>	<u>9,462</u>
<b>Expenditures:</b>				
Current:				
Instructional services	277,132	277,132	128,932	148,200
Supporting services:				
Students	4,296	4,296	3,621	675
Instructional staff	75,186	75,186	36,103	39,083
District administration	38,815	38,815	25,715	13,100
Business services	25,924	25,924	10,855	15,069
Operation and maintenance of facilities	13,235	13,235	13,159	76
Transportation	286,864	286,864	200,588	86,276
Adult Education	30,000	30,000	480	29,520
Special Education	12,690	12,690	5,662	7,028
Vocational Programs	15,094	15,094	17,506	(2,412)
Extracurricular Programs	8,569	8,569	5,937	2,632
Food Services	6,332	6,332	5,456	876
Capital outlay	-	-	-	-
Total expenditures	<u>794,137</u>	<u>794,137</u>	<u>454,014</u>	<u>340,123</u>
Excess of revenues over (under) expenditures	<u>(222,813)</u>	<u>(222,813)</u>	<u>126,896</u>	<u>349,585</u>
<b>Other financing sources (uses):</b>				
Transfer in	-	-	-	-
Transfer out	-	-	(19,000)	(19,000)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(19,000)</u>	<u>(19,000)</u>
Net change in fund balances	<u>\$ (222,813)</u>	<u>\$ (222,813)</u>	107,896	<u>\$ 330,585</u>
Fund balances - beginning - Budget and GAAP basis			222,713	
Fund balances - ending - Budget basis			330,609	
Encumbrances			392	
Fund balances - ending - GAAP basis			<u>\$ 331,001</u>	

**EKALAKA PUBLIC SCHOOLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Budgeted Capital Project Funds**  
Year Ended June 30, 2012

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 415	\$ 415
Earnings on investments	3,000	3,000	1,706	(1,294)
State aid	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,121</u>	<u>(879)</u>
<b>Expenditures:</b>				
Operations and Maintenance	<u>260,963</u>	<u>260,963</u>	<u>9,094</u>	<u>251,869</u>
Total expenditures	<u>260,963</u>	<u>260,963</u>	<u>9,094</u>	<u>251,869</u>
Excess of revenues over expenditures	<u>(257,963)</u>	<u>(257,963)</u>	<u>(6,973)</u>	<u>252,748</u>
<b>Other financing sources (uses):</b>				
Transfer in	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>
Net Change in fund balances	<u>\$ (257,963)</u>	<u>\$ (257,963)</u>	<u>(81,973)</u>	<u>\$ 177,748</u>
Fund balances - beginning - Budget and GAAP basis			<u>257,963</u>	
Fund balances - ending - Budget and GAAP baiss			<u>\$ 175,990</u>	



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## James J. Wosepka, PC - Certified Public Accountant

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ekalaka Public Schools as of and for the year ended June 30, 2012 and have issued our report thereon dated November 13, 2012. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ekalaka Public Schools, Ekalaka, Montana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ekalaka Public Schools, Ekalaka, Montana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ekalaka Public Schools, Ekalaka, Montana's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, and questioned costs on page 33 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance

As part of obtaining reasonable assurance about whether Ekalaka Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

This report is intended solely for the information and use of the Districts' management, the State of Montana, and other agencies of the county, state, and federal governments and is not intended to be and should not be used by anyone other than these specified parties.

James J. Wosepka, PC

*By James J. Wosepka*  
CPA

November 13, 2012  
Baker, Montana

EKALAKA PUBLIC SCHOOLS  
EKALAKA, MONTANA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

**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 the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected with in 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