



Douglas **WILSON**
and Company, PC

July 24, 2018

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Myra L. Bakke, CPA
Melissa H. Soldano, CPA

Douglas N. Wilson, CPA
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To The Board of Trustees
Sun River Valley Public Schools
Cascade County
Simms, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sun River Valley Public Schools (District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of depreciation expense, which is based on the estimated useful lives of capital assets, the estimated other post-employment benefit (OPEB) liability amount, and the net pension liability amount. OPEB is calculated using the alternative measurement method, and the net pension liability is provided by the State of Montana. We evaluated the key factors and assumptions used to develop these amounts in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures regarding OPEB in Note 11 and net pension liability in Note 10 are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Items noted as part of the audit include the following:

- MCA 2-18-617 does not prohibit a school district from providing cash compensation for unused vacation leave in lieu of the accumulation of leave, either through a collective bargaining agreement or, in the absence of a collective bargaining agreement, through a policy. This type of policy should preferably be in writing. The Superintendent has an employment contract with the District, and received vacation payout for excess leave balances in January 2017. This payout is not outlined in writing in the contract or in policy. We recommend language be included either in a policy or in the employment contract for vacation payouts. This was also noted in the prior year for both the Superintendent and Clerk.
- As a part of the audit we select cash disbursements from the Extracurricular Fund and test them for compliance with the MASBO *Student Activity Fund Accounting Manual*. Through our testing we noted the following:
 - One check was cancelled without approval from the board of trustees. The Manual outlines that board approval is required for check cancellations.
- Regarding school raffles, for each raffle conducted, the entity conducting the raffle shall maintain for a period of 12 months from the date of the raffle and provide to the Department of Justice upon request (ARM 23.16.2602):
 - A record of the total proceeds collected;
 - A detailed description of the prize(s) awarded;
 - A description of the selection process used to determine the winner(s);
 - A record reflecting the source of the prize(s), including any money paid to purchase prizes;
 - A record of any administrative costs paid with raffle proceeds; a description of how the raffle was publically identified as a charitable raffle, where applicable;
 - The name and address of the person(s) awarded raffle prize(s); and a detailed record of the distribution of the charitable raffle proceeds, where applicable.

Based on discussion with District personnel, this information was gathered for raffles except for 50-50 raffles. We recommend the District retain this information for the 12-month time frame noted above for all raffles, including 50-50 raffles. The District provided auditors with a revised 50-50 raffle form that will be used going forward that contains the information required above.

- The District is periodically provided the board with financial reports. However, ARM 10.10.505 outlines the recommended format as follows:
 - For budgeted funds, the recommended format for revenue and expenditure reports is:
 - (a) The revenue budget report should show by revenue account the amount budgeted by fund for each revenue account, the amount collected to date, and the amount remaining to be collected.

- (b) The expenditure budget report should show the amount budgeted by line item, function, or in total, the amount expended to date and the amount of budget authority remaining.
- o For nonbudgeted funds, revenue and expenditure reports should include, at a minimum, the amount collected to date for each revenue account and the amount expended to date by expenditure line item or expenditure function category.

We recommend the board be provided with information in the recommended format above.

- Detail could not be provided on what grants and programs make up the ending fund balance in the Elementary Miscellaneous Fund. The District is working on tracking this balance going forward, and has started using a spreadsheet created by OPI to aid in tracking this information. We recommend the District continue to track what makes up the ending fund balance in the Elementary Miscellaneous Funds at each year end.
- The statement of activity by account report from the accounting software for the High School Extracurricular funds includes an account titled MMDA, which had a balance of \$21.26 at year end. This should not be shown as a separate account on the statement of activity report since these funds are part of the total activity accounts. We recommend the District correct the statement of activity report to only reflect club and activity accounts, and continue to reconcile this report monthly to the student activity bank accounts.
- In calculating the compensated absences liability to be reported on the government-wide financial statements at June 30, 2017, one employee's balance included vacation time that had not been earned as of June 30, 2017. This created an overstatement of the Current Portion of Compensated Absences Payable of \$8,629.69, and overstatement of the Noncurrent Portion of Compensated Absences Payable of \$1,803.57, and an overstatement of the School Administration Expenses of \$10,433.27 as reported on the government-wide financial statements at June 30, 2017. We recommend that only vacation hours that have been earned be included in the compensated absences liability calculation at year-end.
- Reporting of capital assets and long-term liabilities on the TFS do not agree to supporting documentation as follows:
 - o The amounts reported on the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets in the Elementary and High School Trustees' Financial Summary do not accurately reflect the balances of fixed assets and accumulated depreciation as shown in the accounting records of the District. We recommend the District report accurate amounts for fixed assets and accumulated depreciation on the Trustees' Financial Summary. The information reflected in the audited financial statements agrees to the accounting records of the District.

- The amount reported for the compensated absences liability in the Elementary and High School Trustees' Financial Summary include part of the liability reported as compensated absences and part of the liability reported as other liabilities. We recommend the compensated absences liability of the Elementary and High School be reported on one line item in the Trustees' Financial Summary.
- The amount reported for the OPEB liability for the Elementary and High School Trustees' Financial Summary does not agree to the information from the valuation completed as of June 30, 2016. We recommend the District report accurate amounts for the OPEB liability on the Trustees' Financial Summary. The information reflected in the audited financial statements agrees to the information from the valuation completed as of June 30, 2016.
- The amount reported for the net pension liability for the Elementary and High School Trustees' Financial Summary does not agree to the information provided by TRS and PERS. We recommend the District report accurate amounts for the net pension liability on the Trustees' Financial Summary. The information reflected in the audited financial statements agrees to the information provided by TRS and PERS.

Other Matters

We applied certain limited procedures to the District's management's discussion and analysis, schedule of revenues, expenditures and encumbrances – budget and actual, the other postemployment benefits plan – retiree health insurance schedule of funding progress, Schedules of Proportionate Share of the Net Pension Liability and the Schedules of Contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the District's schedule of school district enrollment and the schedule of revenues, expenditures, and changes in fund balances by student activity for the extracurricular funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To The Board of Trustees
Sun River Valley Public Schools
July 24, 2018
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Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Sun River Valley Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Douglas Wilson & Company, P.C." The signature is written in a cursive, flowing style.

DOUGLAS WILSON & COMPANY, P.C.

Uncorrected Misstatements

*To correct the compensated absences liability on the
government-wide financial statements*

Current Portion of Compensated Absences Payable	\$ 8,629.69	\$ -
Noncurrent Portion of Compensated Absences Payable	1,803.57	-
School Administration Expense	<u>-</u>	<u>10,433.27</u>
	<u>\$ 10,433.26</u>	<u>\$ 10,433.27</u>