

FAIR-MONT-EGAN PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

FAIR-MONT-EGAN PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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FAIR-MONT-EGAN PUBLIC SCHOOL

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Denise VanArtsdale
Andrew Goolden
Liz Walter
Todd Spangler
Willa Manger

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Christine Schmidt-Anthony
Susan Clanton
Marcia Sheffels
Ed Corrigan

Principal
District Clerk
County Superintendent
County Attorney

Fair-Mont-Egan School District #3
Management Discussion and Analysis (MD&A)
For the Year Ended June 30th, 2014

The Business Manager/District Clerk of the Fair-Mont-Egan School District #3 has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30th, 2014. Comparative information between the current year and the prior is required to be presented in the MD&A.

Using This Financial Report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

A. The Statement of Net Position shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

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

Governmental activities – The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Reporting the District’s Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or “major” funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district’s operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate set of financial statements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district’s activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the District’s Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund.

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations.

The district is responsible for ensuring these assets are used for their intended purpose.

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for all of the budgeted funds.

Budget –to-Actual Comparisons

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

- The Retirement Fund had a restricted balance \$59,460 remaining for reappropriation.
- The Technology Fund was able to reappropriate \$584.62 for the 2014-15 beginning year budgets.
- * Overall, all variances were positive and all budgets were followed conservatively.
- * Overall the revenues and expenditures varied very little compared to 2013.

Other statements for financials

GASB 54 implemented restatement of assets and liabilities to comply with the new language.

**Fair-Mont-Egan Public School, Flathead County
MD & A Comparisons
June 30, 2014**

Table 1 - Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 293,354	\$ 283,632	\$ 9,722
Capital assets	910,758	879,131	31,627
Total assets	<u>1,204,112</u>	<u>1,162,763</u>	<u>41,349</u>
Long-term debt outstanding	\$ 314,645	\$ 250,876	\$ 63,769
Total liabilities	<u>314,645</u>	<u>250,876</u>	<u>63,769</u>
Invested in capital assets, net of debt	910,758	879,131	31,627
Restricted	137,959	130,168	7,791
Unrestricted (deficit)	<u>(159,250)</u>	<u>(97,412)</u>	<u>(61,838)</u>
Total net position	<u>\$ 889,467</u>	<u>\$ 911,887</u>	<u>\$ (22,420)</u>

Table 2 - Changes in Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 32,094	\$ 27,392	\$ 4,702
Operating grants and contributions	95,758	91,649	4,109
<i>General revenues (by major source):</i>			
Property taxes for general purposes	280,120	280,320	(200)
Grants and entitlements not restricted to specific programs	792,957	780,425	12,532
Investment earnings	1,554	1,580	(26)
Miscellaneous (other revenue)	10,200	-	10,200
State entitlement (block grants)	29,100	29,100	-
State technology	2,304	1,168	1,136
County retirement	154,138	129,213	24,925
Total revenues	<u>\$ 1,398,225</u>	<u>\$ 1,340,847</u>	<u>\$ 57,378</u>
Program expenses			
Instructional - regular	\$ 887,168	\$ 846,739	\$ 40,429
Instructional - special education	\$ 59,947	\$ 97,676	(37,729)
Supporting services - operations & maintenance	\$ 136,498	\$ 155,697	(19,199)
Supporting services - general	\$ 28,751	\$ 33,240	(4,489)
Supporting services - educational media services	\$ 52,720	\$ 44,858	7,862
Administration - general	\$ 87,725	\$ 93,016	(5,291)
Administration - business	\$ 110,084	\$ 120,806	(10,722)
Student transportation	\$ 4,987	\$ 4,949	38
Extracurricular	\$ 14,481	\$ 14,149	332
School food	\$ 9,014	\$ 7,736	1,278
Community services	\$ 29,270	\$ 15,020	14,250
Total expenses	<u>\$ 1,420,645</u>	<u>\$ 1,433,886</u>	<u>\$ (13,241)</u>
Excess (deficiency) before special items and transfers	(22,420)	(93,039)	70,619
Increase (decrease) in net position	<u>\$ (22,420)</u>	<u>\$ (93,039)</u>	<u>\$ 70,619</u>

Analysis of Financial Information

The District saw an increase in General Fund revenues. Three year averaging was beneficial at ANB 176 for an increase in budget authority of \$17,614 which is similar to the past two years. The district expended year end funds and planned remodeling funds to expand the restroom facilities and implement touch free bathroom fixtures.

Capital Assets

As of June 30, 2014, there were the normal adjustments in several areas for GASB 34.

Debt Administration

At June 30, 2014, the district remains debt free.

The District's Future

The following will be major factors in the future of the District

- Student enrollment continues to be of concern as funding based on the number of students enrolled has not changed significantly.
- Growth is anticipated in the district in a controlled manner with moderate increases in students over the next five years. Out of district students continue to be attracted to Fair-Mont-Egan.
- The district is in the second year of a two year contract for the 2013-14 and 2014-15 school years. The increase on the base for the second year is 2%.The teacher incentive scholarship which was increased to \$1000 for the two year contract was used extensively.
- Routine maintenance and small projects continue on a regular basis with planning for the stage and gym floor. The facilities committee continues to discuss options for moving the library to a more accessible area, perhaps combining the computer lab and library. The size and condition of the gym remain a concern.

Contact for Additional Information

If you have questions about this report or need additional information, contact the District Clerk, Susan Clanton at the Fair-Mont-Egan School District #3, 797 Fairmont Rd., Kalispell, Mt 59901 or telephone (406)755-2038.

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

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fair-Mont-Egan Public School
Flathead County
Kalispell, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fair-Mont-Egan Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fair-Mont-Egan Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Fair-Mont-Egan Public School, Flathead County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 5, 30 through 32, and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, on our consideration of the Fair-Mont-Egan Public School, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fair-Mont-Egan Public School, Flathead County, Montana's internal control over financial reporting and compliance.

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

June 26, 2015

Fair-Mont-Egan Public School, Flathead County
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	258,099
Taxes and assessments receivable, net		31,505
Due from other governments		3,750
Total current assets	\$	293,354
Noncurrent assets		
Capital assets - land	\$	2,500
Capital assets - depreciable, net		908,258
Total noncurrent assets	\$	910,758
Total assets	\$	1,204,112
LIABILITIES		
Current liabilities		
Current portion of compensated absences payable	\$	1,634
Total current liabilities	\$	1,634
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	303,515
Noncurrent portion of compensated absences		9,496
Total noncurrent liabilities	\$	313,011
Total liabilities	\$	314,645
NET POSITION		
Net investment in capital assets	\$	910,758
Restricted for capital projects		522
Restricted for debt service		3,363
Restricted for special projects		134,074
Unrestricted		(159,250)
Total net position	\$	889,467

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
Primary government:		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities:				<u>Governmental Activities</u>
Instructional - regular	\$ 887,168	\$ -	\$ 51,299	\$ (835,869)
Instructional - special education	59,947	-	31,578	(28,369)
Supporting services - operations & maintenance	136,498	-	3,750	(132,748)
Supporting services - general	28,751	-	-	(28,751)
Supporting services - educational media services	52,720	-	-	(52,720)
Administration - general	87,725	-	-	(87,725)
Administration - business	110,084	-	-	(110,084)
Student transportation	4,987	-	1,568	(3,419)
Extracurricular	14,481	-	-	(14,481)
School food	9,014	1,212	2,563	(5,239)
Community services	29,270	30,882	5,000	6,612
Total primary government	\$ 1,420,645	\$ 32,094	\$ 95,758	\$ (1,292,793)
General Revenues:				
			\$	
Property taxes for general purposes				280,120
Grants and entitlements not restricted to specific programs				792,957
Investment earnings				1,554
Miscellaneous (other revenue)				10,200
State entitlement (block grants)				29,100
State technology				2,304
County retirement				154,138
Total general revenues, special items and transfers			\$	1,270,373
Change in net position			\$	(22,420)
Net position - beginning			\$	911,887
Net position - end			\$	889,467

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 124,961	\$ 59,460	\$ 64,711	\$ 8,967	\$ 258,099
Taxes and assessments receivable, net	30,434	-	-	1,071	31,505
Due from other governments	-	-	3,750	-	3,750
Total assets	\$ 155,395	\$ 59,460	\$ 68,461	\$ 10,038	\$ 293,354
 DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	\$ 30,434	\$ -	\$ -	\$ 1,071	\$ 31,505
 FUND BALANCES					
Restricted	\$ -	\$ 59,460	\$ 68,461	\$ 8,967	\$ 136,888
Unassigned fund balance	124,961	-	-	-	124,961
Total fund balance	\$ 124,961	\$ 59,460	\$ 68,461	\$ 8,967	\$ 261,849

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 261,849
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	910,758
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	31,505
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(314,645)
Total net position - governmental activities	\$ <u>889,467</u>

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local revenue	\$ 276,130	\$ 244	\$ 41,204	\$ 7,461	\$ 325,039
County revenue	-	154,138	-	784	154,922
State revenue	854,396	-	3,750	3,088	861,234
Federal revenue	-	-	55,537	2,563	58,100
Total revenues	<u>\$ 1,130,526</u>	<u>\$ 154,382</u>	<u>\$ 100,491</u>	<u>\$ 13,896</u>	<u>\$ 1,399,295</u>
EXPENDITURES					
Instructional - regular	\$ 602,745	\$ 156,989	\$ 55,186	\$ 8,479	\$ 823,399
Instructional - special education	57,118	-	2,829	-	59,947
Supporting services - operations & maintenance	103,029	-	3,750	-	106,779
Supporting services - general	28,751	-	-	-	28,751
Supporting services - educational media services	52,720	-	-	-	52,720
Administration - general	87,725	-	-	-	87,725
Administration - business	110,084	-	-	-	110,084
Student transportation	3,419	-	-	1,568	4,987
Extracurricular	14,481	-	-	-	14,481
School food	4,987	-	-	4,027	9,014
Community services	250	-	29,020	-	29,270
Capital outlay	61,346	-	-	-	61,346
Total expenditures	<u>\$ 1,126,655</u>	<u>\$ 156,989</u>	<u>\$ 90,785</u>	<u>\$ 14,074</u>	<u>\$ 1,388,503</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,871</u>	<u>\$ (2,607)</u>	<u>\$ 9,706</u>	<u>\$ (178)</u>	<u>\$ 10,792</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ -	\$ 907	\$ 907
Transfers out	<u>(907)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(907)</u>
Total other financing sources (uses)	<u>\$ (907)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 907</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 2,964</u>	<u>\$ (2,607)</u>	<u>\$ 9,706</u>	<u>\$ 729</u>	<u>\$ 10,792</u>
Fund balances - beginning	\$ 121,997	\$ 62,067	\$ 58,755	\$ 8,238	\$ 251,057
Fund balance - ending	<u>\$ 124,961</u>	<u>\$ 59,460</u>	<u>\$ 68,461</u>	<u>\$ 8,967</u>	<u>\$ 261,849</u>

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ 10,792

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	61,346
- Depreciation expense	(29,719)

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)	(1,070)
--	---------

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

(3,066)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(60,703)
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Change in net position - Statement of Activities \$ (22,420)

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Statement of Net Position
Fiduciary Funds
June 30, 2014

		<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS				
Cash and short-term investments	\$	11,592	\$	108,466
Total assets	\$	<u>11,592</u>	\$	<u>108,466</u>
LIABILITIES				
Warrants payable	\$	-	\$	105,642
Due to other governments		-		2,824
Total liabilities	\$	<u>-</u>	\$	<u>108,466</u>
NET POSITION				
Assets held in trust	\$	<u>11,592</u>		

See accompanying Notes to the Financial Statements

Fair-Mont-Egan Public School, Flathead County
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>30,345</u>
Total additions	\$	<u>30,345</u>
 DEDUCTIONS		
Student activities	\$	<u>28,950</u>
Total deductions	\$	<u>28,950</u>
Change in net position	\$	<u>1,395</u>
Net Position - Beginning of the year	\$	10,197
Net Position - End of the year	\$	<u><u>11,592</u></u>

See accompanying Notes to the Financial Statements

FAIR-MONT-EGAN PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

FAIR-MONT-EGAN PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

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FLATHEAD COUNTY, MONTANA
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June 30, 2014

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Retirement Fund – Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers Retirement System (TRS), the Public Employees Retirement System (PERS), Unemployment Compensation and Social Security. It is funded by a countywide levy for retirement.

Miscellaneous Programs Fund – Authorized by Section 20-09-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations are expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District's claims and payroll clearing funds

FAIR-MONT-EGAN PUBLIC SCHOOL
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Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2014, consisted of time deposits and U.S. Government securities. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 South Main Street, Kalispell, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2014.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District’s deposit balance at year end was \$11,592 and the bank balance was \$16,540. The District’s deposits at year-end are as follows:

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FLATHEAD COUNTY, MONTANA
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June 30, 2014

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES

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

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	20 - 50 years
Equipment	5 years

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 June 30, 2014

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has no infrastructure to include in the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 2,500	\$ -	\$ 2,500
Other capital assets:			
Buildings	\$ 1,146,587	\$ 61,346	\$ 1,207,933
Improvements other than buildings	30,337	-	30,337
Machinery and equipment	25,404	-	25,404
Total other capital assets at historical cost	\$ 1,202,328	\$ 61,346	\$ 1,263,674
Less: accumulated depreciation	\$ (325,697)	\$ (29,719)	\$ (355,416)
Total	<u>\$ 879,131</u>	<u>\$ 31,627</u>	<u>\$ 910,758</u>

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

Governmental Activities:	
Supporting services – operations and maintenance	\$ <u>29,719</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Compensated absences	8,066	3,066	11,130
Other post-employment benefits*	242,812	60,703	303,515
Total	<u>\$ 250,876</u>	<u>\$ 63,769</u>	<u>\$ 314,645</u>

*See Note 7

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

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Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2011, was as follows:

Actuarial Accrued Liability (AAL)	\$ 382,994
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 382,994</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 824,673
UAAL as a percentage of covered payroll	46.44%

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Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	60,703
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	60,703
Contributions made		-
Increase in net OPEB obligation	\$	60,703
Net OPEB obligation - beginning of year		242,812
Net OPEB obligation - end of year	\$	303,515

Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.34%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2010	3.90%
2011	5.20%
2012	5.50%
2013	6.10%
2014	6.60%
2015	6.70%
2016	7.00%
2017	6.80%
2018	6.80%
2019 and after	6.60%

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 June 30, 2014

NOTE 8. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

FAIR-MONT-EGAN PUBLIC SCHOOL
 FLATHEAD COUNTY, MONTANA
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The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$4,475	\$52,431
2013	\$6,887	\$54,739
2014	\$7,272	\$57,815

NOTE 9. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Retirement	\$ 59,460	Employer portion of employee benefits
Miscellaneous Programs	68,461	Third party grantor restrictions
All other aggregate:		
	633	Student transportation services
	565	Operations and maintenance services
	522	Capital projects
	508	School food services
	1,992	Adult education services
	1,384	Student instructional services
	<u>3,363</u>	Debt service
	<u>\$ 136,888</u>	

FAIR-MONT-EGAN PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District's contribution to the Cooperative was \$2,829 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$ 4,602 for fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee to provide fiscal responsibility to the Host District. Each District is charge a fee for each student participating in the program. For the fiscal year ended June 30, 2014, the District paid \$0 to the Interlocal.

FAIR-MONT-EGAN PUBLIC SCHOOL
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 12. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Fair-Mont-Egan Public School, Flathead County
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 276,760	\$ 276,760	\$ 276,082	\$ (678)
County revenue	-	-	-	-
State revenue	850,801	850,801	850,802	1
Amounts available for appropriation	\$ 1,127,561	\$ 1,127,561	\$ 1,126,884	\$ (677)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 609,269	\$ 609,269	\$ 602,745	\$ 6,524
Instructional - special education	72,612	72,612	57,118	15,494
Supporting services - operations & maintenance	131,863	131,863	103,029	28,834
Supporting services - general	32,277	32,277	28,751	3,526
Supporting services - educational media services	58,262	58,262	52,720	5,542
Administration - general	90,150	90,150	87,725	2,425
Administration - business	106,297	106,297	110,084	(3,787)
Student transportation	4,180	4,180	3,419	761
Extracurricular	17,795	17,795	14,481	3,314
School food	4,827	4,827	4,987	(160)
Community services	250	250	250	-
Capital outlay	-	-	61,346	(61,346)
Other current charges	5,815	5,815	-	5,815
Total charges to appropriations	\$ 1,133,597	\$ 1,133,597	\$ 1,126,655	\$ 6,942
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (600)	\$ (600)	\$ (907)	\$ (307)
Net change in fund balance			\$ (678)	
Fund balance - beginning of the year			\$ 113,907	
Fund balance - end of the year			\$ 113,229	

Fair-Mont-Egan Public School, Flathead County
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
			(BUDGETARY	BUDGET
			BASIS) See Note A	
RESOURCES (INFLOWS):				
Local revenue	\$ -	\$ -	\$ 244	\$ 244
County revenue	155,287	155,287	154,138	(1,149)
State revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 155,287</u>	<u>\$ 155,287</u>	<u>\$ 154,382</u>	<u>\$ (905)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 181,129	\$ 181,129	\$ 156,989	\$ 24,140
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - business	-	-	-	-
Student transportation	-	-	-	-
Extracurricular	-	-	-	-
School food	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Other current charges	-	-	-	-
Total charges to appropriations	<u>\$ 181,129</u>	<u>\$ 181,129</u>	<u>\$ 156,989</u>	<u>\$ 24,140</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (2,607)</u>	
Fund balance - beginning of the year			<u>\$ 62,067</u>	
Fund balance - end of the year			<u><u>\$ 59,460</u></u>	

**Fair-Mont-Egan Public School, Flathead County
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Retirement</u>
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,126,884	\$ 154,382
Combined funds (GASBS 54) revenues	3,642	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,130,526</u>	<u>\$ 154,382</u>
Uses/Outflows of resources		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,126,655	\$ 156,989
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,126,655</u>	<u>\$ 156,989</u>

Note B

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

Fair-Mont-Egan Public School, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2010	\$ -	\$ 382,994	\$ 382,994	0%	\$ 824,673	46%

SUPPLEMENTAL INFORMATION

**Fair-Mont-Egan Public School
Flathead County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2014**

Fall Enrollment - October, 2013
Elementary School District

	FALL		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Kindergarten Full	19	19	0
Grades 1-6	107	107	0
Grades 7-8	41	41	0
Total Elementary	167	167	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Winter Enrollment - December, 2013
Elementary School District

	WINTER		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Kindergarten Full	19	19	0
Grades 1-6	106	106	0
Grades 7-8	40	40	0
Total Elementary	165	165	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Spring Enrollment - February, 2014
Elementary School District

	SPRING		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Kindergarten - Full	20	20	0
Grades 1-6	105	105	0
Grades 7-8	39	39	0
Total Elementary	164	164	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	0	0	0	0	0	0	0
Kinder - Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Fair-Mont-Egan Public School
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Activities	\$ 13	\$ 6,568	\$ 6,374	\$ 125	\$ 332
Band and Music	3	284	110	-	177
Book Club	49	-	-	-	49
Class of 2013	910	98	-	(1,008)	-
Class of 2014	2,032	7,130	8,593	910	1,479
Class of 2015	754	4,914	2,549	98	3,217
Class of 2016	1,223	1,017	1,568	-	672
Class of 2017	494	-	428	-	66
Class of 2018	388	1,265	1,562	204	295
Class of 2019	179	13	-	-	192
Class of 2020	276	632	760	-	148
Class of 2021	161	-	-	-	161
Emergency Barrels	563	-	-	-	563
Scholarships	120	50	-	(125)	45
Student Council	2,599	6,430	5,451	(204)	3,374
Student Technology Club	394	-	-	-	394
Yearbook	39	1,944	1,555	-	428
Total	\$ 10,197	\$ 30,345	\$ 28,950	\$ -	\$ 11,592

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

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Fair-Mont-Egan Public School
Flathead County
Kalispell, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fair-Mont-Egan Public School, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fair-Mont-Egan Public School's basic financial statements and have issued our report thereon dated June 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fair-Mont-Egan Public School, Flathead County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fair-Mont-Egan Public School, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Fair-Mont-Egan Public School's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item 2014-001.

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. We did not identify any deficiencies to be significant deficiencies.

2014-001 Other Post Employment Benefits (OPEB) Liability

Condition:

The Governmental Accounting Standards Board (GASB) issued statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The purpose of the statement is for governments to recognize the cost of OPEB obligations as they are earned by the employees. The school district is also eligible to use the alternative method, which Fair-Mont –Egan School District did not have an update performed.

Context:

The School District does not comply with GASB 45 as stated above. The last update for the OPEB liability the school district had performed covered through June 30, 2013.

Criteria:

GASB Statement #45 provides guidance for recording the OPEB liability.

Effect:

Fair-Mont-Egan School District is not in compliance with the reporting requirements of GASB #45.

Cause:

The District did not update the OPEB valuation.

Recommendation:

We recommend that the District update the OPEB liability valuation so that the District is in compliance.

Auditee Response:

We will evaluate the cost of updating our OPEB liability and the board will decide.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fair-Mont-Egan Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fair-Mont-Egan Public School's Response to Findings

Fair-Mont-Egan Public School's response to the findings identified in our audit is described above. Fair-Mont-Egan Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

June 26, 2015