

FAIRFIELD SCHOOL DISTRICT NO. 21

**TETON COUNTY
FAIRFIELD, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**



Fairfield School District No. 21
Teton County
Fairfield, MT 59436

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
INDEPENDENT AUDITOR'S REPORT	3 - 4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Statement of Fund Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flow - Proprietary Funds	12
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14 - 24
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	25
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – All Budgeted Major Funds	26 - 27
Notes to the Budget and Actual Schedule	28 - 29
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds	30
Schedule of Reported Enrollment	31
INDEPENDENT AUDITOR'S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	32 - 33
SCHEDULE OF FINDINGS AND RESPONSES	34 - 36



Fairfield School District No. 21
Teton County
Fairfield, MT 59436

ORGANIZATION

BOARD OF TRUSTEES

Jerry Shaw	Chair
Ross Oveson	Vice Chair
Chad Becker	Trustee
Chris Christensen	Trustee
Mark Coverdell	Trustee
Michelle Gjerde	Trustee
Stepehn Ostberg	Trustee
Keith Giles	Trustee

OFFICIALS

Les Meyer	Superintendent
Jim Drishinski	District Clerk
Diane Inbody	County Superintendent
Joe Coble	County Attorney



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fairfield School District No. 21
Teton County
Fairfield, MT 59436

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 Fairfield School District No. 21 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 Fairfield School District No. 21 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 29) 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 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 inquires 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairfield School District No. 21's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 30) and schedule of reported enrollment (page 31) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015 on our consideration of Fairfield School District No. 21 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 Fairfield School District No. 21 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
February 9, 2015



STATEMENT OF NET POSITION
as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,673,024
Taxes Receivable	47,240
Due From Other Governments	160,279
Other Current Assets	<u>1,149</u>
Total Current Assets	<u>1,881,692</u>
Noncurrent Assets:	
Capital Assets:	
Land	1,151
Construction in Progress	313,617
Net Depreciable Assets	<u>3,730,479</u>
Total Noncurrent Assets	<u>4,045,247</u>
Total Assets	<u>\$ 5,926,939</u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	112,937
Current Portions Compensated Absences	<u>\$ 11,855</u>
Total Current Liabilities	<u>124,792</u>
Noncurrent Liabilities:	
Long-Term Obligations	42,110
Compensated Absences	149,511
Long-Term Capital Obligations	<u>1,430,000</u>
Total Noncurrent Liabilities	<u>1,621,621</u>
Total Liabilities	<u>1,746,413</u>
NET POSITION:	
Net investment in capital assets	2,615,247
Restricted	894,883
Unrestricted (Deficit)	<u>670,396</u>
Total Net Position	<u>4,180,526</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,926,939</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS					
Instructional Services	\$ 1,819,755	\$ 3,065	\$ 193,644	\$ -	\$ (1,623,045)
Support Services	2,422	-	-	-	(2,422)
Educational Media Services	134,918	-	-	-	(134,918)
General Administrative Services	466,768	-	-	-	(466,768)
Operation & Maintenance Services	370,266	-	-	-	(370,266)
Transportation Services	334,939	-	62,544	-	(272,395)
School Food Services	232,427	91,678	82,304	230,070	171,624
Extracurricular	171,931	-	-	-	(171,931)
Debt Service					
Interest and other charges	73,610	-	-	-	(73,610)
Unallocated Depreciation Expense *	112,672	-	-	-	(112,672)
Total Governmental Activities	<u>3,719,709</u>	<u>94,743</u>	<u>338,492</u>	<u>230,070</u>	<u>(3,056,404)</u>
GENERAL REVENUES					
District Levies					1,269,848
State Equalization					1,033,799
Other State Revenues					671,004
County					343,411
Federal					-
Interest					4,262
Other					100,753
Gain loss on Sale of Assets					9,868
Internal Balances					-
Total General Revenues					<u>3,432,946</u>
Change in Net Position					<u>376,542</u>
Net Position					
Beginning of the Year					3,803,984
End of the Year					<u>\$ 4,180,526</u>

* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2014

	MAJOR			Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Other Governmental Funds	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 812,376	\$ 17,645	\$ 797,968	\$ 1,627,989
Taxes Receivable	29,737	-	17,503	47,240
Due From Other Governments	-	156,500	3,780	160,279
Other Current Assets	971	-	178	1,149
Total Assets	\$ 843,084	\$ 174,144	\$ 819,428	\$ 1,836,657
LIABILITIES:				
Accounts Payable	-	112,937	-	112,937
Total Liabilities	-	112,937	-	112,937
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	29,737	-	17,503	47,240
Total Deferred Inflows of resources	29,737	-	17,503	47,240
FUND BALANCE:				
Fund Balances:				
Restricted	-	61,207	801,925	863,132
Assigned	151,035	-	-	151,035
Unassigned:	662,312	-	-	662,312
Total Fund Balance	813,347	61,207	801,925	1,676,480
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 843,084	\$ 174,144	\$ 819,429	\$ 1,836,657

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,676,480
Internal Service Fund Net Position	45,034
Governmental Capital Assets	4,045,247
Long-term Liabilities	
Long-Term Obligations	(42,110)
Compensated Absences	(161,366)
Long-Term Capital Obligations	(1,430,000)
Unavailable Property Taxes Receivable	47,240
Net Position of Governmental Activities	\$ 4,180,526

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	MAJOR			
	General	Miscellaneous Programs (Elem.)	Other Governmental Funds	Total Governmental Funds
REVENUES:				
District Levies	\$ 875,634	\$ -	\$ 427,606	\$ 1,303,239
Interest	2,139	0	2,008	4,147
Charges for Services	-	-	94,743	94,743
Other	13,350	75,014	12,390	100,753
County	-	-	376,429	376,429
State	1,716,366	230,070	92,548	2,038,983
Federal	-	107,559	93,805	201,364
Total Revenues	2,607,488	412,643	1,099,529	4,119,660
EXPENDITURES:				
Current				
Instructional Services	1,439,071	100,078	248,050	1,787,200
Support Services	152	-	2,270	2,422
Educational Media Services	127,633	-	6,999	134,632
General Administrative Services	344,517	-	120,466	464,983
Operation & Maintenance Services	348,468	-	17,929	366,397
Transportation Services	30,623	-	209,230	239,853
School Food Services	81,830	-	150,423	232,253
Extracurricular	144,966	-	24,535	169,501
Total Current Outlays	2,517,261	100,078	779,902	3,397,242
Debt Service				
Principal	-	-	140,000	140,000
Interest and other charges	-	-	73,610	73,610
Capital Outlay	24,500	279,563	89,107	393,169
Total Expenditures	2,541,761	379,642	1,082,618	4,004,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,727	33,001	16,910	115,639
OTHER FINANCING SOURCES/USES				
Fund Transfers In	-	3,226	11,884	15,110
Fund Transfers (Out)	(15,110)	-	-	(15,110)
Total Other financial Sources/Uses	(15,110)	3,226	11,884	-
NET CHANGES IN FUND BALANCES	50,617	36,227	28,795	115,639
FUND BALANCE:				
Beginning of the Year	580,964	24,980	954,896	1,560,841
Prior Period Adjustments	181,766	-	(181,766)	-
End of the Year	\$ 813,347	\$ 61,207	\$ 801,925	\$ 1,676,480

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Fairfield School District No. 21
Teton County
Fairfield, Montana 59436

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Net Changes in Fund Balance		\$	115,639
Change in net position from internal service funds			316
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable	(33,392)		
Gain loss on sale of assets	<u>9,868</u>		(23,524)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(224,126)		
(Increase) decrease in Other Post Employment Benefits	(8,422)		
(Increase) decrease in compensated absence liability	<u>(16,510)</u>		(249,058)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	393,169		
Principal payments on bonds	<u>140,000</u>		<u>533,169</u>
Change in net position reported on the Statement of Activity		\$	<u>376,542</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Fairfield School District No. 21
Teton County
Fairfield, Montana 59436

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
as of June 30, 2014

	<u>Governmental Activities - Internal Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 45,034
Total Current Assets	<u>45,034</u>
Noncurrent Assets:	
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>\$ 45,034</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Unrestricted (Deficit)	<u>45,034</u>
Total Net Position	<u>45,034</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 45,034</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Fairfield School District No. 21
 Teton County
 Fairfield, Montana 59436

STATEMENT OF REVENUES, EXPENSES,
 AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For The Year Ended June 30, 2014

	Governmental Activities - Internal Service
OPERATING REVENUES:	
Services Provided Other Funds	4,467
Total Operating Revenues	4,467
OPERATING EXPENSES:	
Supplies	2,669
Purchased services	1,599
Depreciation	4,099
Total Operating Expense	8,367
OPERATING INCOME (LOSS)	(3,900)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	115
Total nonoperating revenue (expenses)	115
CHANGE IN NET POSITION	(3,785)
NET POSITION:	
Beginning of the Year	48,819
End of the Year	\$ 45,034

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service
	<u> </u>
CASH FLOWS FROM OPERATING	
ACTIVITIES:	
Receipts from Customers	\$ 4,467
Payments to Suppliers	(2,669)
Purchased Services	<u>(1,599)</u>
Net Cash Provided (Used) by Operating Activities	<u>199</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>115</u>
Net Cash Provided (Used) by Investing Activities	<u>115</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>314</u>
BALANCE:	
Beginning of the Year	<u>44,720</u>
End of the Year	<u>\$ 45,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (3,900)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	<u>4,099</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 199</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
as of June 30, 2014

	Private Purpose Trust	
	Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 507,827	\$ 262,725
Total Assets	<u>507,827</u>	<u>262,725</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	262,725
Total Liabilities	-	<u>262,725</u>
NET POSITION:		
Restricted for Endowment	329,180	
Restricted for Student Activities	178,647	
Total Net Position	<u>\$ 507,827</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET
FIDUCIARY FUNDS
For The Year Ended June 30, 2014

	Private Purpose Trust
	Funds
ADDITIONS:	
Revenues from Student Activities	\$ 164,459
Contributions to Endowment	174,410
Total Additions	<u>338,869</u>
DEDUCTIONS:	
Expenses of Student Activities	153,830
Regular Education Expenses	62,451
Total Deductions	<u>216,281</u>
CHANGE IN NET POSITION	122,588
NET POSITION:	
Beginning of the Year	385,239
End of the Year	<u>\$ 507,827</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Fairfield School District No. 21 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and facility rental fees and
- Operating and Capital grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other funds for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.

1. b. 3 OTHER FUND TYPES

Internal Service Funds – Accounts for the financing of goods or services provided by one department to other departments of the School District, or to other governments, on a cost reimbursement basis. The fund include a purchasing service fund. Because all of the services predominately benefit governmental rather than business type functions, they are included with governmental activities in the government-wide financial statements.

Private-Purpose Trust Funds – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District's Board of Trustees. This accounting reflects the School District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Teton County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

For purposes of the statement of cash flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

The School District's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The School District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	5 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Certified School District employees shall accrue 10 days of sick leave at the beginning of each year. Unused sick leave will be accruable without limit. Upon termination, 25% of the accumulated sick leave is paid at the employee's average salary for the last four years.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$11,855 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned - the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 97,614	\$ 151,035
Student Transportation	420,432	0
School Food	37,398	0
Third Party Grantor Restrictions	119,861	0
Employer Retirement Benefits	127,912	0
Future Technology	5,335	0
Future Capital Costs	521	0
Debt Service	54,059	0
Total	<u>\$ 863,132</u>	<u>\$ 151,035</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2 County Provided Services

The School District is provided various financial services by Teton County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the County Treasurer. No service charges have been recorded by the School District or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ <u>1,673,024</u>	\$ <u>770,552</u>	\$ <u>2,443,576</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Demand Accounts	\$ 85,296
Time Deposits	188,657
County Investment Pool	<u>2,130,774</u>
Total	<u>\$ 2,404,727</u>



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

Cash resources of the School District are held and managed by the Teton County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Teton County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of certificates of deposit and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, full risk classifications according to GASB 40 are available in the Teton County's annual report. There is no known maturity and credit rating of the Teton County Investment Pool. The cash of the extracurricular funds is held separately by the School District, not at the Teton County. As of June 30, 2014, \$181,046 was exposed to custodial credit risk and was covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$3,794,289 for the Elementary School District and \$5,009,724 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	111.54	\$ 15,489
Transportation	24.81	3,326
Bus Depreciation	5.95	2,565
Adult Education	0	1
Debt Service	20.50	4,207
Building Reserve	0	2
<u>High School Fund</u>		
General*	87.95	14,248
Transportation	23.01	3,050
Bus Depreciation	6.12	2,076
Adult Education	0	3
Debt Service	16.35	2,257
Building Reserve	0	16
Total	<u>296.23</u>	<u>\$ 47,240</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous*	\$ 22,042	Federal Govt.	REAP
Miscellaneous*	112,937	State of MT	Quality Schools Grant
Miscellaneous*	14,468	State of MT	Title I Part A
Miscellaneous*	4,053	State of MT	Title II Part A
<u>High School Fund</u>			
Miscellaneous	2,999	Federal Govt.	REAP
Miscellaneous	400	State of MT	Carl Perkins
School Food Services	1,012	State of MT	Matching funds
Traffic Education	2,368	State of MT	Per pupil reimbursement
Total	<u>\$ 160,279</u>		

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 1,151	\$ 0	\$ 0	\$ 0	\$ 1,151
Construction In Progress	0	313,617	0	0	313,617
Total Non-depreciable	<u>\$ 1,151</u>	<u>\$ 313,617</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 314,768</u>



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>					
Buildings	\$ 5,303,726	\$ 0	\$ 0	\$ 0	\$ 5,303,726
Improvements other than bldg.	40,752	0	0	0	40,752
Machinery and equipment	1,311,141	94,052	72,444	0	1,332,749
Total Depreciable	<u>\$ 6,655,619</u>	<u>\$ 94,052</u>	<u>\$ 72,444</u>	<u>\$ 0</u>	<u>\$ 6,677,227</u>
<u>Accumulated Depreciation:</u>					
Buildings	\$ (1,915,111)	\$ (110,838)	\$ 0	\$ 0	\$ (2,025,949)
Improvements other than bldg.	(18,546)	(2,034)	0	0	(20,580)
Machinery and equipment	(856,777)	(111,254)	(67,812)	0	(900,219)
Total Depreciation	<u>\$ (2,790,434)</u>	<u>\$ (224,126)</u>	<u>\$ (67,812)</u>	<u>\$ 0</u>	<u>\$ (2,946,748)</u>
Net Depreciable Assets	<u>3,865,185</u>	<u>(130,074)</u>	<u>4,632</u>	<u>0</u>	<u>3,730,479</u>
Net General Capital Assets	<u>\$ 3,866,336</u>	<u>\$ 183,543</u>	<u>\$ 4,632</u>	<u>\$ 0</u>	<u>\$ 4,045,247</u>

5. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 11,849
Media	286
Operation & Maintenance	2,157
Transportation	90,010
School Food	422
Extracurricular	2,430
Unallocated	116,972
Total Depreciation Expense	<u>\$ 224,126</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	<u>\$ 1,570,000</u>	<u>\$ 0</u>	<u>\$ 140,000</u>	<u>\$ 1,430,000</u>	<u>\$ 0</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 144,856	\$ 16,510	\$ 0	\$ 161,366	\$ 11,855
Other Post-Empl. Benefits	33,688	8,422	0	42,110	0
Total Other Liabilities	<u>\$ 178,544</u>	<u>\$ 24,932</u>	<u>\$ 0</u>	<u>\$ 203,476</u>	<u>\$ 11,855</u>
Total Governmental Activities					
- Long-Term Debt:	<u>\$ 1,748,544</u>	<u>\$ 24,932</u>	<u>\$ 140,000</u>	<u>\$ 1,633,476</u>	<u>\$ 11,855</u>

6. b. GENERAL OBLIGATION BONDS

The School District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
EL bonds	2002	4.0-4.85%	20 years	2022	\$1,344,000	\$710,000
HS bonds	2002	4.25-4.8%	20 years	2022	\$1,362,000	\$720,000
					<u>\$2,706,000</u>	<u>\$1,430,000</u>



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>Elementary</u>		<u>High School</u>	
	Principal	Interest	Principal	Principal
2015	\$ 0	\$ 16,602	\$ 0	\$ 16,857
2016	75,000	31,536	75,000	32,065
2017	80,000	28,067	80,000	28,615
2018	80,000	24,427	85,000	24,860
2019	85,000	20,611	90,000	20,790
2020-2023	390,000	38,708	390,000	38,618
Totals	<u>\$ 710,000</u>	<u>\$ 159,951</u>	<u>\$ 720,000</u>	<u>\$ 161,805</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 15,489	Taxes Receivable
Transportation	3,326	Taxes Receivable
Bus Depreciation	2,565	Taxes Receivable
Adult Education	1	Taxes Receivable
Debt Service	2,407	Taxes Receivable
Building Reserve	2	Taxes Receivable
<u>High School Fund</u>		
General*	14,248	Taxes Receivable
Transportation	3,050	Taxes Receivable
Bus Depreciation	2,076	Taxes Receivable
Adult Education	3	Taxes Receivable
Debt Service	2,257	Taxes Receivable
Building Reserve	16	Taxes Receivable
Total	<u>\$ 45,440</u>	

* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 76,356	To include the Flexibility fund in the general fund due to similar spending limitations per GASB54.
<u>High School Fund</u>		
General*	<u>105,410</u>	To include the Flexibility fund in the general fund due to similar spending limitations per GASB54.
Total	<u>\$ 181,766</u>	

* Denotes Major Funds

NOTE 9. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	\$ 4,985	Compensated Absences - to cover future benefits
General*	3,226	Miscellaneous - Se district match
<u>High School Fund - From</u>		<u>High School Fund - To</u>
General*	<u>6,899</u>	Compensated Absences - to cover future benefits
Total	<u>\$ 15,110</u>	

* Denotes Major Funds



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$5,494 per member. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of July 1, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$	125,125
Actuarial value of plan assets		<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)		<u>125,125</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	2,182,619
UAAL as a percentage of covered payroll		6%

Annual OPEB Cost and Net OPEB Obligations - 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (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 the changes in the government's net OPEB obligation for the valuation performed at July 1, 2013.

Annual Required Contribution (ARC)	\$	8,422
Interest on net OPEB obligation		0
Adjustment to ARC		<u>0</u>
Annual OPEB cost (expense)		8,422
Contribution made		<u>0</u>
Increase in net OPEB obligation		8,422
Net OPEB obligation - beginning of year		<u>33,688</u>
Net OPEB obligation - end of year	\$	<u>42,110</u>

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

Actuarial Cost Method		Unit Credit Cost Method
Average age of retirement (based on historical data)		65
Discount rate (average anticipated rate)		4.0%
Average Salary Increase		2.0%
Health care cost rate trend		
Year	% Increase	
2015	3.0%	



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 11. OTHER COMMITMENTS

11. a. 1 ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 70,002
Transportation	235
Miscellaneous	3,125
<u>High School Fund</u>	
General*	81,033
Transportation	235
School Food	244
Miscellaneous	223
Total	<u>\$ 155,097</u>

* Denotes Major Funds

11. a. 2 CONSTRUCTION OR SIMILAR COMMITMENTS

Board approved awarding the Kitchen Remodel to Swank Enterprises from Valier, which was the low bid at \$447,000, in March of 2014. Completion of the project is slated for August 13, 2014. Construction in progress as of June 30, 2014 was \$200,680.

NOTE 12. RISK MANAGEMENT

The School District is exposed to various types of risk 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. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums assessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 13. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.doa.state.mt.us

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
www.state.mt.us/doa/perb/prb.htm



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, School District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 289,352	\$ 282,471	\$ 314,579
PERS	<u>54,665</u>	<u>60,912</u>	<u>65,852</u>
Total	<u>\$ 344,017</u>	<u>\$ 343,383</u>	<u>\$ 380,431</u>

NOTE 14. COOPERATIVE

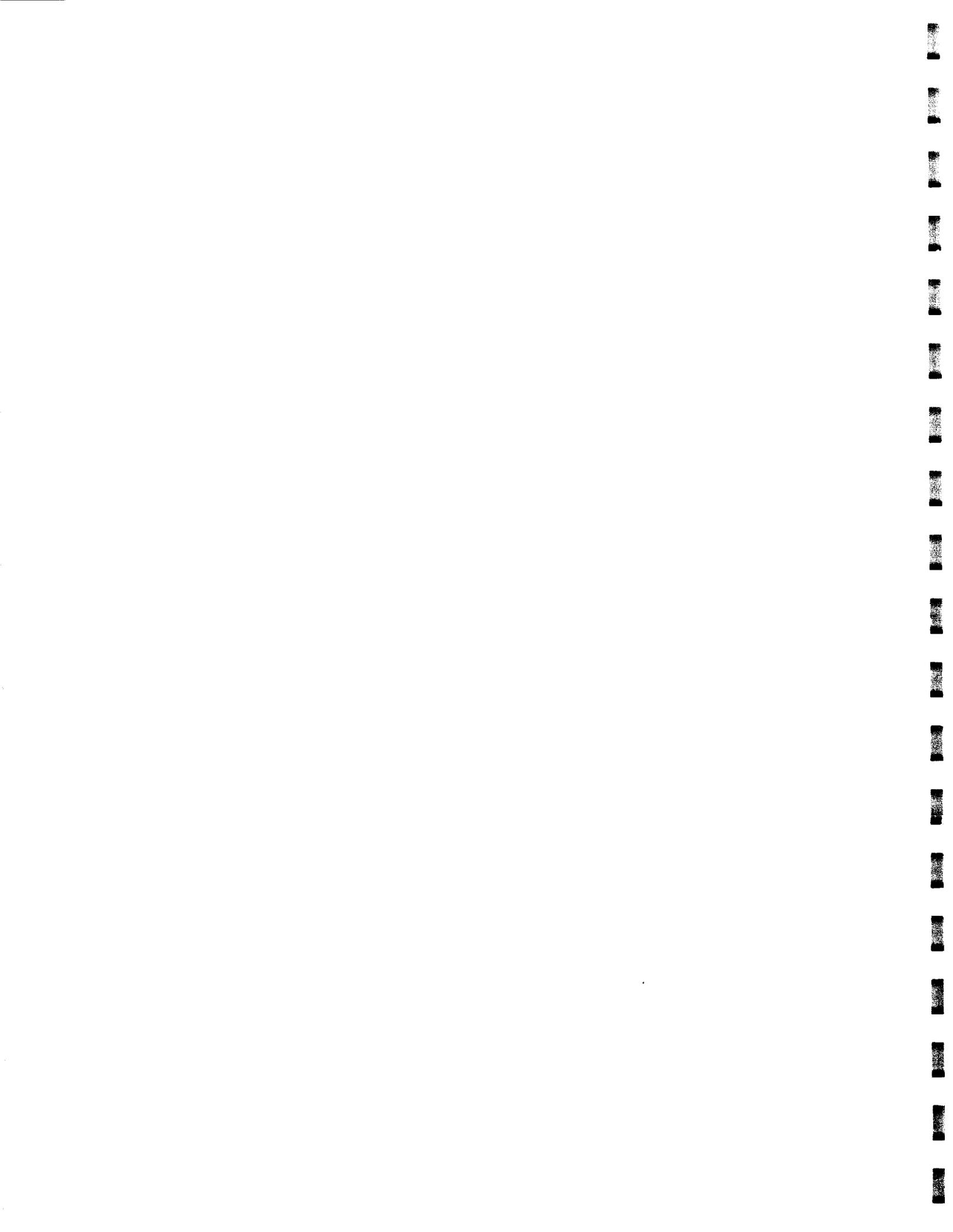
14. a. SPECIAL EDUCATION

The Fairfield School District No. 21 is a member of the Big Sky Special Needs Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Fairfield School District No. 21, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Teton County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

14. b NATIONAL (INDUSTRIAL) PENSION

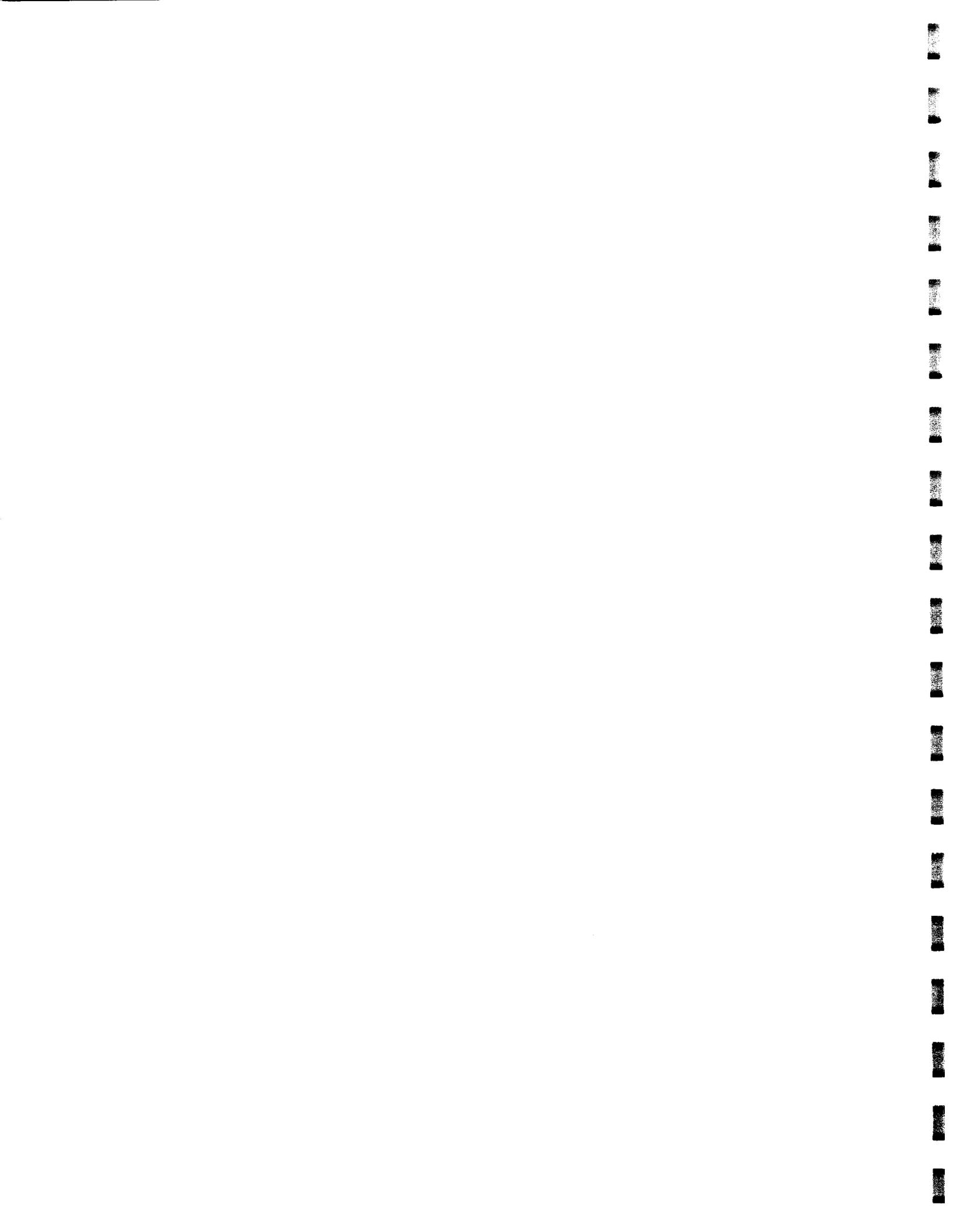
The District participates in the Laborer's International Union of North America National Pension Fund. The District contributes thirty-seven cents (\$0.37) per hour work for certified staff and classified staff the District contributes eighty seven cent (\$0.87) per hour worked. For certified staff it is based on 173 hours per month whereas, classified staff is based on actual hours worked that month. The Pension Protection Act of 2006 ("PPA") amended federal pension law to impose stricter funding standards on multi-employer pension funds, including the Laborers' National (Industrial) Pension Fund. The PPA requires every pension fund's actuary to annually certify the fund's funding zone status. The Pension Fund was certified on March 31, 2010, as being in the "red zone" ("critical" status). The Pension Fund Board expects the Pension Fund to emerge from the "red zone" within 10 plan years from January 1, 2013. Each year the contribution rate increase by 10%.



FAIRFIELD SCHOOL DISTRICT NO. 21

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2013	\$ -	\$ 125,125	\$ 125,125	0%	\$ 2,182,619	6%



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	General (Elem)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 423,235	\$ 423,235	\$ 427,602	\$ 440,646	\$ 440,646	\$ 448,031
Interest	2,443	2,443	824	2,613	2,613	754
Other	3,715	3,715	6,178	5,458	5,458	7,052
State	924,263	924,263	923,141	761,918	761,918	761,918
Total Revenues	<u>1,353,656</u>	<u>1,353,656</u>	<u>1,357,745</u>	<u>1,210,635</u>	<u>1,210,635</u>	<u>1,217,756</u>
EXPENDITURES:						
Current						
Instructional Services			796,604			718,157
Support Services			76			76
Educational Media Services			71,269			56,364
General Administrative Services			160,000			184,517
Operation & Maintenance Services			192,974			155,494
Transportation Services			2,777			27,846
School Food Services			41,037			40,794
Extracurricular			22,852			122,114
Total Current Outlays			<u>1,287,590</u>			<u>1,305,361</u>
Capital Outlay			23,373			1,126
Total Expenditures	<u>1,353,656</u>	<u>1,353,656</u>	<u>1,310,964</u>	<u>1,335,914</u>	<u>1,335,914</u>	<u>1,306,487</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>46,782</u>	<u>(125,279)</u>	<u>(125,279)</u>	<u>(88,731)</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(8,211)			(6,899)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(8,211)</u>	<u>-</u>	<u>-</u>	<u>(6,899)</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>38,571</u>	<u>(125,279)</u>	<u>(125,279)</u>	<u>(95,631)</u>
FUND BALANCE:						
Beginning of the Year			246,747			258,871
End of the Year			<u>\$ 285,318</u>			<u>\$ 163,240</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	Flexibility Fund (Elem.)			Flexibility Fund (HS)	
	Original Budget	Final Budget	Actual	Final Budget	Actual
REVENUES:					
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	244	-	317
Other	-	-	120	-	-
State	15,051	15,051	15,051	16,256	16,256
Total Revenues	15,051	15,051	15,414	16,256	16,573
EXPENDITURES:					
Current					
Instructional Services	91,407	91,407	-	121,666	-
Support Services	-	-	-	-	-
Educational Media Services	-	-	-	-	-
General Administrative Services	-	-	-	-	-
Operation & Maintenance Services	-	-	-	-	-
Transportation Services	-	-	-	-	-
School Food Services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Total Current Outlays	91,407	91,407	-	121,666	-
Capital Outlay	-	-	-	-	-
Total Expenditures	91,407	91,407	-	121,666	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,356)	(76,356)	15,414	(105,410)	16,573
OTHER FINANCING SOURCES/USES					
Fund Transfers (Out)	-	-	-	-	-
Total Other financial Sources/Uses	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(76,356)	(76,356)	15,414	(105,410)	16,573
FUND BALANCE:					
Beginning of the Year	76,356	76,356	76,357	105,410	105,410
End of the Year	\$ -	\$ -	\$ 91,771	\$ -	\$ 121,983

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO BUDGET TO ACTUAL SCHEDULE
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds.

The original budget was not amended so the original budget and the final budget are the same.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.



FAIRFIELD SCHOOL DISTRICT NO. 21

NOTES TO BUDGET TO ACTUAL SCHEDULE

(continued)

Fiscal Year-Ended June 30, 2014

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (Elem)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund(EL)</u>	<u>Sub-fund Flexibility Fund(HS)</u>	<u>Total General Fund</u>
REVENUES:					
District Levies	\$ 427,602	\$ 448,031	\$ 0	\$ 0	\$ 875,634
Interest Earnings	824	754	244	317	2,139
Other	6,178	7,052	120	0	13,350
State Sources	<u>923,141</u>	<u>761,918</u>	<u>15,051</u>	<u>16,256</u>	<u>1,716,366</u>
Total Revenues	<u>\$ 1,357,745</u>	<u>\$ 1,217,756</u>	<u>\$ 15,414</u>	<u>\$ 16,573</u>	<u>\$ 2,607,488</u>
EXPENDITURES:					
Instructional Services	762,914	676,157	0	0	1,439,071
Support Services	76	76	0	0	152
Educational Media	71,269	56,364	0	0	127,633
General Administrative	160,000	184,517	0	0	344,517
Operation & Maintenance	192,974	155,494	0	0	348,468
Transportation	2,777	27,846	0	0	30,623
Extracurricular	22,852	122,114	0	0	144,966
School Food	<u>41,037</u>	<u>40,794</u>	<u>0</u>	<u>0</u>	<u>81,830</u>
Total Current Outlays	1,253,899	1,263,362	0	0	2,517,261
Capital Outlays	<u>23,373</u>	<u>1,126</u>	<u>0</u>	<u>0</u>	<u>24,500</u>
Total Expenditures	<u>\$ 1,277,272</u>	<u>\$ 1,264,488</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,541,761</u>
EXCESS (DEFICIENCY) OF REV- ENUES OVER EXPENDITURES	80,472	(46,732)	15,414	16,573	65,727
Fund Transfer (Out)	(8,211)	(6,899)	0	0	(15,110)
Net Changes In Fund Balance	72,261	(53,631)	15,414	16,573	50,617
FUND BALANCE:					
Beginning of the Year	283,059	297,905	0	0	580,964
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>76,357</u>	<u>105,410</u>	<u>181,766</u>
Ending of the Year	<u>355,320</u>	<u>244,274</u>	<u>91,771</u>	<u>121,982</u>	<u>813,347</u>

The fund balances of the general fund displayed above is different than the one displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$151,035. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures above as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or restricted fund balances, as applicable.

In the reconciliation the general fund and flexibility fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility fund because they are reported as major funds and have legally adopted budgets.



FAIRFIELD SCHOOL DISTRICT NO. 21
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance</u>
CHANGE FUND	245	245	245		245
BLEACHER FUND	1,349				1,355
INTEREST EARNED	361	347		6	283
MHSA ACTIVITIES	9,137	48,655	56,943	9,390	10,240
MHSA SPECIAL ACCNT	700			3	703
CHEERLEADERS	21	3,125	3,271	727	602
ANNUAL STAFF	16,938	4,575	4,754	72	16,832
BAND & CHOIR	2,503	1,392	2,038	11	1,867
STUDENT COUNCIL	6,316	2,471	3,432	202	5,557
CONCESSIONS	64	18,948	15,056	(3,956)	-
EAGLE PLUS	551	225	365	(69)	342
SCHOOL BUSINESS PART	4,074	614	30	(101)	4,557
SPORTS CLUB	1,440	1,690	245	6	2,891
CONCESSIONS EQUIP	355			2	357
SCIENCE CLUB	543		169	2	376
BOXING CLUB	94			339	433
FFA	1,891	5,556	6,225	48	1,270
FCCLA	689	382	546	3	527
MCINERNEY/MANUEL	3,455	300	800	15	2,970
CLASS NIGHT	1,940	8,152	4,100	103	6,096
FJELD	66,377	261	2,000		64,638
POP/JUICE MACHINES	3,120	1,968	1,252	13	3,850
HS REVOLVING	-	5,787	5,034	(753)	-
ACTIVITY TICKETS	-	8,375	490	(7,885)	-
PAY TO PLAY	-	4,665	70	(4,595)	-
RECYCLING CLUB	153	20	46	165	293
MU ALPHA THETA	593		345	222	470
NHS	3,701	646	1,560	(34)	2,753
JR HONOR SOCIETY	196			1	197
ELEMENTARY MUSIC	177			1	178
ELEM GIFTED/TALENTED	671			3	674
MISSOULA CHILDRENS	1,761	2,158	1,725	8	2,202
ELEMENTARY LIBRARY	710	3,312	3,654	3	370
3RD GRADE CAN SALES	-				-
CLASS PLAY	154	339	129	1	364
2ND GRADE	6	193	190	0	9
5TH GRADE FUNDRAISER	193			1	194
JUNIOR HIGH	2,934	7,240	6,444	(190)	3,540
CLASS OF 2019	145			(145)	1
CLASS OF 2018	-		-	400	400
CLASS OF 2013	851		2,322	1,471	-
CLASS OF 2014	4,544	873	3,345	(1,801)	270
CLASS OF 2015	2,869	995	1,204	755	3,416
CLASS OF 2016	1,992	441	155	667	2,945
CLASS OF 2017	400		87	2	315
PEP CLUB	1,393		429	1,521	2,485
SPANISH CLUB	532	15,753	11,090	2,089	7,284
BUSINESS PROFESSION	3,184		172	164	3,176
BPA TRAVEL	1,836			8	1,844
ART CLUB	557	720	772	112	617
SKILLS USA/VICA	1,048	2,615	1,622	389	2,429
FFA LOAN FUND	1,779	1			1,781
SPECIAL OLYMPICS	6,239	8,653	7,711	130	7,312
JR. STUDENT COUNCIL	867	43	887	192	215
CLOSE-UP	4,301			18	4,319
FOOD PANTRY	2,064	2,727	2,874	688	2,605
Total	168,018	164,459	153,830	-	178,647



FAIRFIELD SCHOOL DISTRICT NO. 21

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Page 31 Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	13	13	0
Grade 1 - 6	119	119	0
Grade 7 - 8	44	44	0
Total	<u>176</u>	<u>176</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>117</u>	<u>117</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	14	14	0
Grade 1 - 6	120	120	0
Grade 7 - 8	44	44	0
Total	<u>178</u>	<u>178</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>117</u>	<u>117</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	14	14	0
Grade 1 - 6	118	118	0
Grade 7 - 8	44	44	0
Total	<u>176</u>	<u>176</u>	<u>0</u>

High School

	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>117</u>	<u>117</u>	<u>0</u>

Part-time Students

Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>



STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fairfield School District No. 21
Teton County
Fairfield, MT 59436

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 *Governmental 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 Fairfield School District No. 21 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fairfield School District No. 21's basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairfield School District No. 21'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 in the accompanying schedule of findings and responses 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001, 2014-002, and 2014-003.

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 consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2014-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield School District No. 21'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*.



Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
February 9, 2015



STROM & ASSOCIATES, PC
 Certified Public Accountants
 P.O. Box 1980
 Billings, Montana 59103

SCHEDULE OF FINDINGS AND RESPONSES

FINDING NUMBER 1 - COMPENSATED ABSENCES 2013:

This was not a finding in fiscal year 2014.

FINDING NUMBER 2014-001 CASH RECONCILIATION:

Criteria: A school district must compare and balance certain district accounting records with reports provided by the county treasurer. Each month, the district must reconcile ending cash, investments, cash receipts, and cash disbursements for all funds with the county treasurer. Any differences must be documented, and adjustments to the district or county treasurer's records must be made as necessary. (ARM 10.10.501) Internal controls indicate that cash should be reconciled to zero on a monthly basis and that cash reported in the accounting records should agree to amounts reported on the annual financial report.

Condition: During our performance of the school district's cash reconciliation we noted cash as reported on the Trustee's Financial Summary did not agree to the accounting records. We also noted cash reported by the county did not agree to amounts reported by the District. In addition we noted student activity cash did not reconcile to the subsidiary ledger of the school district.

Effect: Cash is not being properly reconciled to the county/bank statements and the cash balances reported on the Trustee's Financial Summary were not derived from the accounting records.

Context: Cash amounts reported on the Trustee's Financial Summary do not reconcile by fund to the accounting records or county as follows:

		Accounting/TFS (TFS understated)	County/TFS (TFS understated)
Elementary			
101	General	(2,135)	(86,112)
110	Transportation	185	51
114	Retirement	-	(428)
115	Miscellaneous Programs	(7,461)	(10,417)
129	Flexibility Fund	-	23,555
150	Debt Service	50	50
High School			
201	General	(45)	(22,754)
210	Transportation	-	(134)
212	School Food Services	-	119,989
214	Retirement	-	(428)
218	Traffic Education	-	(1,659)
229	Flexibility Fund	-	1,684
250	Debt Service	50	50
	Total Governmental Type	(9,356)	23,448
Internal Service funds:			
274	Purchasing	(3,900)	4,467
Trust funds:			
High School			
285	Private purpose trust		(394)
284	Extracurricular		(10,629)
Agency funds:			
Elementary			
186	Payroll	-	12,549
187	Claims	91	(247)
	Total Trust and Agency	<u>91</u>	<u>1,280</u>
	Total all funds	(13,165)	29,195



Cause: This was caused by a lack of training.

Recommendation: We recommend cash be reconciled to the county monthly and any differences be resolved immediately. We also, recommend the business manager/clerk receive training in cash reconciliations.

FINDING NUMBER 2014-002 STUDENT ACTIVITY FINANCIAL REPORTING:

Criteria: Financial reporting standards indicate entities must prepare an annual financial report which reports the financial activity of the entity for the accounting period.

Condition: During the preparation of the Trustees' Financial Summary, no operating statement was presented and cash balances reported were those of the prior year.

Effect: The Trustees' Financial Summary does not properly report the financial activity of the Student Activity Fund. The audit report has been corrected.

Context: Cash, beginning balance, ending balance, additions and deletion of the student activity funds were not properly displayed on the Trustees' financial summary. The Trustees' Financial Summary Beginning balance should have been reported on as \$168,018 additions of \$164,459, deletions of \$153,830 and ending balance \$178,647.

Cause: This was caused by a lack of training.

Recommendation: We recommend that prior to submitting the Trustees' Financial Summary to the Office of Public Instruction someone other than the preparer review the report to ensure all financial activity has been reported.

FINDING NUMBER 2014-003 REVENUE CODING:

Criteria: Financial reporting standards indicate revenues must be reported in the correct accounting period used for financial statement reporting purposes.

Condition: During our review of the accounting records and Trustees' Financial Summary we noted due from other governments were not properly reported and grant fund were not reported in the correct revenue code as directed by the OPI.

Effect: Grant fund revenues are misstated by amounts relating to due from other governments. The audit report has been corrected.

Context: The quality schools grant in the amount of \$157,480 was reported under revenues sources 1900 and 3290 rather than 3720. In addition, Title II Part A was coded to revenues code 4200 rather than 4300.

Prior year Title II, Part A money pertaining to the prior of \$10,876 was reported as current year revenues and \$4,058 of due from other government for the current year was not reported.

Prior year Title I, Part A money of \$14,468 was reported as current year revenues and \$30,726 of due from other government for the current year was not reported.

Prior year REAP money of \$8,523 was reported as current year revenues and \$22,042 of due from other government for the current year was not reported.

Quality schools grant due from other governments and accounts payable were not recorded by the district in the amount of \$112,937.

Cause: This was caused by a lack of training.

Recommendation: We recommend training be provided to the business manager/clerk in the application of financial reporting and generally accepted accounting principles.



FINDING NUMBER 2014-004 CAPITAL ASSETS:

Criteria: Capital assets schedules should be maintained on the full accrual basis for reporting requirements of GASB-34.

Condition: Several errors were noted in capital assets which have been corrected for financial reporting:

- 1) Previously removed assets had not been properly deleted from the depreciation schedule. These have been properly removed for reporting.
- 2) All Capital Assets that should have been added were not added to the schedules on the Trustees Financial Report.
- 3) The accounting system coded purchases to capital outlay which were not capital costs. These have been reclassified for reporting.

Effect: Capital assets values were not properly represented for full accrual financial reporting on the government wide financial statements.

Context: Capital assets were maintained on separate schedules for High School and Elementary which made proper reporting cumbersome. Expenditures were coded throughout the year to capital outlay which were not then cleaned up during year end closing procedures. The school now maintains a single capital assets schedule with an allocation to high school and elementary to ensure that capital asset reporting is less cumbersome and easier to properly maintain.

Cause: Capital asset schedules and expenditure coding were not properly updated at year end.

Recommendation: We recommend that the school maintain a single capital asset schedule with an allocation to high school and elementary. We also recommend that the schedule and capital outlay coding are properly updated each year for all additions and deletions.

