

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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FLORENCE-CARLTON PUBLIC SCHOOL

RAVALLI COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Tara Zeiler	Chairperson
Colby Reynolds	Vice Chairperson
Pat Appleby	Trustee
Jay Dixon	Trustee
Mel Finlay	Trustee

DISTRICT OFFICIALS

John McGee	District Superintendent
Bud Scully	Interim District Superintendent
Jeannie Morgan	District Clerk
Michael Williams	County Superintendent
Bill Fulbright	County Attorney

Florence-Carlton School District
Ravalli County, Montana
Management Discussion and Analysis
for the year ended June 30, 2014

The Superintendent and Business Manager/Clerk of the Florence-Carlton School District have provided this Management Discussion and Analysis 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 30, 2014.

Using This Annual Report

This annual report consists of financial statements for the District as a whole with more detailed information for certain School funds. The statement of net position and the statement of activities provide information about the activities of the School as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities).

The fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the District's general fund and certain other funds. There is also summarized financial information about the student activity trust fund for which the District acts as trustee.

Financial Highlights

The District's financial operation in 2014 saw an increase in revenues and an increase in expenses as compared to the prior year. Total revenues increased \$46,845 or about 1 %. The revenue increase is small due to a combination of declining enrollment offset by a small increase in revenue for unrestricted grants and entitlements to the district from the state. As a result we had to cut programs and teaching positions in our school district. During this same period of time we have seen teachers and staff receive pay increases to their base pay on their contracts. We have also seen teacher advancement in years of experience as well as educational attainment on the pay scale; these factors have attributed to total expenses in the school district increasing. Lower revenues caused the amount of dollars made available to purchase classroom instructional supplies to be decreased from the prior year. Total expenses increased by \$205,124 or about 1%. The District also had to fund a major septic system replacement project which was paid for by transferring reserve funds to the building fund which resulted in a balance of 1.8% general fund reserve and zero balance in the building reserve fund. These changes are discussed in more detail below.

The District as a Whole

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the District's health, such as changes in enrollment, changes in the State's funding of educational cost, changes in the economy, changes in the District's tax base, etc. to assess the overall health of the District.

Changes in the District's program revenues were as follows:

Revenues generated by operating grants and contributions decreased. Changes in the District's general revenues were as follows:

- ❖ The increase in District general revenues were due to property tax increase. The community voted a general fund levy to support the District.

Changes in the District's expenses were as follows:

- ❖ Our District has seen an increase in expenses for overall salaries, benefits and supply costs. These instructional costs have made up the bulk of our increase in expenses.

Changes in the District's net position were as follows:

- ❖ Our District has seen a decrease in net position due to decreased revenues and increased expenses.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant of the District's funds. Generally accepted accounting principles (GAAP) require the School to provide detailed information for its "major" funds.

Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total government fund amounts. In 2014, the assets and liabilities of the transportation fund, miscellaneous programs fund, and other governmental funds exceeded this 10% threshold. The retirement fund no longer exceeded the 10% threshold.

The government funds provide a short-term view of this District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown, total government fund balances decreased \$531,056 as compared to a decrease of \$539,389 in government-wide net position. The difference is explained on the Reconciliation of the Statement of Revenues, Expenditures, and the Changes in Fund Balances of Governmental Funds to the Statement of Activities sheet.

Table 1 - Net Position

	Governmental Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 1,170,901	\$ 1,940,218	\$ (769,317)
Capital assets	2,991,367	2,621,681	369,686
Total assets	4,162,268	4,561,899	(399,631)
Long-term debt outstanding	\$ 662,670	\$ 575,489	\$ 87,181
Other liabilities	52,577	-	52,577
Total liabilities	715,247	575,489	139,758
Invested in capital assets, net of debt	2,991,367	2,621,681	369,686
Restricted	846,035	975,877	(129,842)
Unrestricted (deficit)	(390,381)	388,852	(779,233)
Total net position	\$ 3,447,021	\$ 3,986,410	\$ (539,389)

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	\$ 140,037	\$ 132,033	\$ 8,004
Operating grants and contributions	649,783	706,746	(56,963)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	1,548,831	1,591,474	(42,643)
Grants and entitlements not restricted to specific programs	3,870,846	3,823,401	47,445
Investment earnings	7,061	10,631	(3,570)
Miscellaneous (other revenue)	44,445	39,698	4,747
State entitlement (block grants)	153,156	153,155	1
State technology	15,227	5,801	9,426
County retirement	620,289	539,891	80,398
Total revenues	\$ 7,049,675	\$ 7,002,830	\$ 46,845
Program expenses			
Instructional - regular	\$ 4,488,019	\$ 4,424,246	\$ 63,773
Instructional - special education	\$ 499,574	\$ 496,331	3,243
Instructional - vocational education	\$ 17,876	\$ 18,295	(419)
Instructional - adult education	\$ 7,472	\$ 4,094	3,378
Supporting services - operations & maintenance	\$ 563,750	\$ 574,529	(10,779)
Supporting services - general	\$ 34,905	\$ 39,246	(4,341)
Supporting services - educational media services	\$ 199,813	\$ 139,327	60,486
Administration - general	\$ 159,989	\$ 135,210	24,779
Administration - school	\$ 305,006	\$ 296,344	8,662
Administration - business	\$ 100,200	\$ 91,264	8,936
Student transportation	\$ 527,617	\$ 499,396	28,221
Extracurricular	\$ 208,473	\$ 225,578	(17,105)
School food	\$ 259,979	\$ 250,186	9,793
Unallocated depreciation*	\$ 208,058	\$ 181,561	26,497
Total expenses	\$ 7,580,731	\$ 7,375,607	\$ 205,124
Excess (deficiency) before special items and transfers	(531,056)	(372,777)	(158,279)
Increase (decrease) in net position	\$ (531,056)	\$ (372,777)	\$ (158,279)

Beside the Retirement fund, there were no significant variations between the budget and actual revenues and expenditures which are detailed on the budgetary comparison Schedule. The school district exceeded the Retirement fund budget by \$92,766.

Capital Asset & Debt Administration:

As of June 30, 2012, the school district no longer has any debt administration.

The school district added \$578,014 of capital assets in FY14, 574,504 was the replacement of the schools wastewater system.

Florence-Carlton Public Schools, Ravalli County, Montana
MD & A Comparisons
June 30, 2013

The Future of the School District:

The student enrollment decreased from 2013. On the October, 2014 official count date, the district enrollment was 787 students. This compares to 809 students on the same date in 2013. The overall trend is down significantly since the October count of 2009 when enrollment stood at 889. This decrease in enrollment is expected to continue as the District is seeing a down turn in the economy and very few new homes being built in the district.

In its endeavor to address enrollment the school board has been allowing more out of district students attend our school. The board has expanded program offerings of extracurricular opportunities to attract new students. Allowing out of district students and adding new programs has helped to stabilize our student enrollment issues.

The school district does not expect any significant changes in the 2014-2015 school year. Total budget will increase slightly (approximately 4%). This is primarily due to more revenue in the Retirement Fund.

Due to current economic conditions and fairly level to declining enrollment trends in the past several years, the school has made cuts to its teaching programs and put voted levy monies into the budget that will stabilize the school budget in the 2015-2016 school year.

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
Florence-Carlton Public School
Ravalli County
Florence, 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 Florence-Carlton Public School, Ravalli 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 Florence-Carlton Public School, Ravalli 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 Florence-Carlton Public School, Ravalli 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 6, 33 through 34, and 36 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 29, 2015 on our consideration of the Florence-Carlton Public School, Ravalli 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 Florence-Carlton Public School, Ravalli County, Montana's internal control over financial reporting and compliance.

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

June 29, 2015

Florence-Carlton Public School
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	847,651
Taxes and assessments receivable, net		190,249
Due from other governments		133,001
Total current assets	\$	1,170,901
Noncurrent assets		
Capital assets - land	\$	423,128
Capital assets - depreciable, net		2,568,239
Total noncurrent assets	\$	2,991,367
Total assets	\$	4,162,268
LIABILITIES		
Current liabilities		
Current portion of compensated absences payable	\$	26,006
Deferred inflows of resources		52,577
Total current liabilities	\$	78,583
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	368,177
Noncurrent portion of compensated absences		268,487
Total noncurrent liabilities	\$	636,664
Total liabilities	\$	715,247
NET POSITION		
Net investment in capital assets	\$	2,991,367
Restricted for capital projects		67,675
Restricted for debt service		3,005
Restricted for special projects		775,355
Unrestricted		(390,381)
Total net position	\$	3,447,021

See accompanying Notes to the Financial Statements

**Florence-Carlton Public School
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Transportation</u>	<u>Miscellaneous</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 159,438	\$ 139,180	\$ 260,157	\$ 288,876	\$ 847,651
Taxes and assessments receivable, net	133,332	47,690	-	9,227	190,249
Due from other governments	32,096	18,651	9,191	73,063	133,001
Total assets	\$ 324,866	\$ 205,521	\$ 269,348	\$ 371,166	\$ 1,170,901
 DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	\$ 165,428	\$ 66,341	\$ -	\$ 11,057	\$ 242,826
 FUND BALANCES					
Restricted	\$ -	\$ 139,180	\$ 269,348	\$ 360,109	\$ 768,637
Assigned	63,598	-	-	-	63,598
Unassigned fund balance	95,840	-	-	-	95,840
Total fund balance	\$ 159,438	\$ 139,180	\$ 269,348	\$ 360,109	\$ 928,075

See accompanying Notes to the Financial Statements

Florence-Carlton Public School
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 928,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,991,367
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.	190,249
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(662,670)
Total net position - governmental activities	\$ <u>3,447,021</u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public School
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Miscellaneous</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local revenue	\$ 1,042,346	\$ 382,789	\$ 77,299	\$ 209,865	\$ 1,712,299
County revenue	-	40,608	-	620,289	660,897
State revenue	4,147,245	65,112	6,202	17,116	4,235,675
Federal revenue	-	-	227,242	130,045	357,287
Total revenues	<u>\$ 5,189,591</u>	<u>\$ 488,509</u>	<u>\$ 310,743</u>	<u>\$ 977,315</u>	<u>\$ 6,966,158</u>
EXPENDITURES					
Instructional - regular	\$ 3,624,096	\$ -	\$ 159,986	\$ 616,756	\$ 4,400,838
Instructional - special education	331,447	-	133,933	34,194	499,574
Instructional - vocational education	-	-	17,876	-	17,876
Instructional - adult education	-	-	-	7,472	7,472
Supporting services - operations & maintenance	537,083	-	-	26,667	563,750
Supporting services - general	30,475	-	-	4,430	34,905
Supporting services - educational media services	171,843	-	-	27,970	199,813
Administration - general	143,666	-	-	16,323	159,989
Administration - school	266,555	-	-	38,451	305,006
Administration - business	91,958	-	-	8,242	100,200
Student transportation	-	517,110	-	10,507	527,617
Extracurricular	193,965	-	-	14,508	208,473
School food	-	-	-	259,979	259,979
Capital outlay	520,014	-	-	58,000	578,014
Total expenditures	<u>\$ 5,911,102</u>	<u>\$ 517,110</u>	<u>\$ 311,795</u>	<u>\$ 1,123,499</u>	<u>\$ 7,863,506</u>
Net Change in Fund Balance	<u>\$ (721,511)</u>	<u>\$ (28,601)</u>	<u>\$ (1,052)</u>	<u>\$ (146,184)</u>	<u>\$ (897,348)</u>
Fund balances - beginning	\$ 889,012	\$ 167,781	\$ 270,400	\$ 506,293	\$ 1,833,486
Restatements	(8,063)	-	-	-	(8,063)
Fund balances - beginning, restated	<u>\$ 880,949</u>	<u>\$ 167,781</u>	<u>\$ 270,400</u>	<u>\$ 506,293</u>	<u>\$ 1,825,423</u>
Fund balance - ending	<u>\$ 159,438</u>	<u>\$ 139,180</u>	<u>\$ 269,348</u>	<u>\$ 360,109</u>	<u>\$ 928,075</u>

See accompanying Notes to the Financial Statements

Florence-Carlton Public School
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 \$ (897,348)

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	578,014
- Depreciation expense	(208,058)

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)	83,517
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The change in compensated absences is shown as an expense in the Statement of Activities	(10,705)
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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	(76,476)
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Change in net position - Statement of Activities	\$ <u><u>(531,056)</u></u>
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See accompanying Notes to the Financial Statements

**Florence-Carlton Public School
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	\$ 158,473	\$ 425,322
Total assets	<u>\$ 158,473</u>	<u>\$ 425,322</u>
LIABILITIES		
Warrants payable	\$ -	\$ 192,177
Due to others	-	<u>233,145</u>
Total liabilities	<u>\$ -</u>	<u>\$ 425,322</u>
NET POSITION		
Assets held in trust	<u>\$ 158,473</u>	

See accompanying Notes to the Financial Statements

**Florence-Carlton Public School
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>286,262</u>
Total additions	\$	<u>286,262</u>
DEDUCTIONS		
Student activities	\$	<u>311,855</u>
Total deductions	\$	<u>311,855</u>
Change in net position	\$	<u>(25,593)</u>
 Net Position - Beginning of the year	 \$	 184,066
 Net Position - End of the year	 \$	 <u>158,473</u>

See accompanying Notes to the Financial Statements

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI 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 Entity 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 and secondary educational services to residents of the District. The District provides education from kindergarten through the twelfth 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.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, the governmental 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.

FLORENCE-CARLTON PUBLIC SCHOOL
RAVALLI COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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.

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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.

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.

Transportation Fund – Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and 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:

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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

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) and an account for payroll tax payments, 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, money market, US government securities, certificates of deposit, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and US Treasury notes.

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 Ravalli County deposits and investments is available from Ravalli County Treasurer’s office, 215 S. Fourth, Suite A, Hamilton, MT 59840. 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.

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Deposits

The District's deposit balance at year end was \$160,547 and the bank balance was \$188,529. The District's deposits were fully insured by FDIC at year end.

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 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	30 – 50 years
Building and Land Improvements	10 – 30 years
Equipment and Vehicles	10 – 20 years

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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 included the value of all infrastructure into 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>	<u>Adjustments</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 423,128	\$ -	\$ -	\$ 423,128
Other capital assets:				
Buildings	\$ 5,625,897	\$ 578,014	\$ -	\$ 6,203,911
Improvements other than buildings	809,599	-	(300)	809,299
Total other capital assets at historical cost	\$ 6,435,496	\$ 578,014	\$ (300)	\$ 7,013,210
Less: accumulated depreciation	\$ (4,236,943)	\$ (208,058)	\$ 30	\$ (4,444,971)
Total	<u>\$ 2,621,681</u>	<u>\$ 369,956</u>	<u>\$ (270)</u>	<u>\$ 2,991,367</u>

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

Governmental Activities:	
Unallocated	\$ <u>208,058</u>

NOTE 6. OPERATING LEASE COMMITMENTS

The District is bound by a lease commitment which is considered for accounting purposes to be an operating lease. Minimum lease payments for the fiscal year ended June 30, 2014, amounted to \$57,825. For those operating leases having remaining noncancellable lease terms, the future minimum rental payments are as follows:

	<u>Items Leased</u>
Year Ended	
<u>June 30</u>	<u>Computers</u>
2015	\$ <u>57,825</u>

NOTE 7. 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:

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Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 283,788	\$ 10,705	\$ 294,493	\$ 26,006
Other post-employment benefits*	291,701	76,476	368,177	-
Total	\$ 575,489	\$ 87,181	\$ 662,670	\$ 26,006

*See Note 8

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

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.

At the beginning of each school year, each teacher shall be credited with twelve days of leave at full salary for personal illness or disability, personal medical appointments, quarantine or communicable disease, maternity, or illness or death in the immediate family.

Unused days of sick leave each year will be allowed to accumulate to 120 days. At the conclusion of each school year, those days that exceed 120 will be cashed out at a rate equal to the substitute pay by the District.

Upon termination of employment, teachers shall receive a lump sum payment for accumulated and unused sick leave. Accumulated and unused sick leave will be compensated for as follows:

- a. Total the accumulated and unused sick leave days over the total number of years that the teacher was employed at Florence-Carlton School District 15-6.
- b. Multiply the sick leave by an amount equal to the substitute pay for the last year of the teacher's employment.

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- c. The sum of the computation in (b) above shall equal the lump sum payment due the teacher for accumulated and unused sick leave days.

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

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Florence Carlton School District Employee Group Benefits Plan (FCSDEGBP) is a single-employer defined benefit healthcare plan administered by the Florence-Carlton School District. FCSDEGBP provides medical and dental insurance benefits to eligible retirees and their spouses.

Montana Codes Annotated Section 2-18-704 allows members who retire from service to pay medical and dental benefits through the government’s plan at the same premium as active members.

Per Article 15 of the Comprehensive Agreement between the Board of Trustees, Florence Carlton School District No. 15-6, High School District and the Florence Carlton Education Association, the District shall provide an additional benefit for eligible teachers retiring or resigning at the conclusion of their 30th year of creditable service or age 60 and 5 years of service.

The plan does not issue a stand-alone financial report.

Funding Policy. The contribution requirements of plan members and the State are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters 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 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to FCSDEGBP:

Annual required contribution	\$ 76,476
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 76,476</u>
Contributions made	<u>\$ -</u>
Increase in net OPEB obligation	<u>\$ 76,476</u>
Net OPEB obligation – beginning of year	<u>\$ 291,701</u>
Net OPEB obligation – end of year	<u>\$ 368,177</u>

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Funded Status and Funding Progress. As of July 1, 2012 the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability (AAL) for benefits was \$640,957 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$640,957.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial funding method used to determine the cost of the Florence Carlton School District Employee Group Benefits Plan is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortizations schedule.

The actuarial assumptions included:

- 4.25% Investment/discount rate
- 2.5% Projected payroll increases
- 45% Of future retirees are assumed to elect coverage a the time of retirement
- 20.9% Of future retirees are assumed to elect dental coverage.
- 15.3% Of future retirees are assumed to elect vision coverage.
- 70% Of the future retirees who elect medical or dental coverage and are married are assumed to elect spousal coverage as well.

The actuarial assumptions also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2020</u>
Medical	6.1%	5.5%
Prescription drugs	6.1%	5.0%
Dental	9.0%	5.0%
Vision	0.0%	4.0%

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NOTE 9. 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.

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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	\$ 32,457	\$ 246,079
2013	\$ 33,733	\$ 249,624
2014	\$ 37,370	\$ 300,487

NOTE 10. 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 11. 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>
Transportation	\$ 139,180	Student transportation services
Miscellaneous Programs	269,348	Third party grantor restrictions
Aggregate Remaining:		
	44,142	School food services
	137,396	Instruction - regular
	3,360	Instruction – adult education
	22	Operations and maintenance
	106,197	Employer costs of benefits
	67,675	Capital projects
	<u>1,317</u>	Debt service
Total	<u>\$ 768,637</u>	

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June 30, 2014

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of</u>
General	<u>Encumbrance</u>
	\$ <u>63,598</u>

NOTE 12. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	\$ (270)	Capital asset adjustment
General	<u>(8,063)</u>	Prior period revenue adjustment
	<u>\$ (8,333)</u>	

NOTE 13. 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.

Bitterroot Valley Special Education Cooperative

Florence-Carlton Public Schools is a member of the Bitterroot Valley Special Education Cooperative. The Cooperative is comprised of 6 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. The Board of the Cooperative is made up of the six district superintendents. Separate financial statements can be obtained from Bitterroot Valley Education Cooperative, P.O. Box 187, Stevensville, MT 59870, (406) 777-2494.

Montana Schools Health and Welfare Plan Cooperative

The district participates in the Montana Schools Health and Welfare Plan Cooperative pursuant to the provisions of Sections 2-18-702 and 2-18-711 M.C.A. The Cooperative is comprised of 9 Directors, which are representative from the Member Entities. The purpose of the cooperative is to jointly develop and fund programs for health, dental, vision, disability, life, and other coverages to be determined the Authority, such Programs to include, but not limited to, the creation of joint purchasing pools, joint insurance funds, the funding of reserves, the purchase of reinsurance, and the provision of necessary administrative services. All such purposes shall be accomplished through a joint exercise of powers of Member Entities pursuant to this Agreement, to be administered by a separate legal entity, the Montana Schools Health and Welfare Plan.

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NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Ravalli County. The County also serves as cashier and treasurer for the 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 District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

NOTE 15. 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.

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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**

**Florence-Carlton Public School
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	\$ 1,145,828	\$ 1,145,828	\$ 1,042,346	\$ (103,482)
County revenue	-	-	-	-
State revenue	4,153,111	4,153,111	4,147,245	(5,866)
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 5,298,939</u>	<u>\$ 5,298,939</u>	<u>\$ 5,189,591</u>	<u>\$ (109,348)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 3,435,529	\$ 3,435,529	\$ 3,417,734	\$ 17,795
Instructional - special education	346,387	346,387	331,447	14,940
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	600,003	600,003	512,563	87,440
Supporting services - general	36,328	36,328	30,475	5,853
Supporting services - educational media services	171,925	171,925	171,829	96
Administration - general	145,580	145,580	143,566	2,014
Administration - school	253,461	253,461	266,465	(13,004)
Administration - business	94,190	94,190	87,797	6,393
Student transportation	-	-	-	-
Extracurricular	192,035	192,035	188,792	3,243
Capital outlay	23,500	505,500	426,526	78,974
Total charges to appropriations	<u>\$ 5,298,938</u>	<u>\$ 5,780,938</u>	<u>\$ 5,577,194</u>	<u>\$ 203,744</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ (4,468)</u>	<u>\$ -</u>	<u>\$ 4,468</u>
SPECIAL AND EXTRAORDINARY ITEMS				
Net change in fund balance			<u>\$ (387,603)</u>	
Fund balance - beginning of the year			<u>\$ 491,506</u>	
Restatements			<u>(8,063)</u>	
Fund balance - beginning of the year - restated			<u>\$ 483,443</u>	
Fund balance - end of the year			<u><u>\$ 95,840</u></u>	

**Florence-Carlton Public School
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014**

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
RESOURCES (INFLOWS):				
Local revenue	\$ 430,135	\$ 430,135	\$ 382,789	\$ (47,346)
County revenue	49,500	49,500	40,608	(8,892)
State revenue	70,734	70,734	65,112	(5,622)
Federal revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 550,369</u>	<u>\$ 550,369</u>	<u>\$ 488,509</u>	<u>\$ (61,860)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	36,042	36,042	-	36,042
Instructional - vocational education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - general	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	562,416	562,416	517,110	45,306
Extracurricular	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 598,458</u>	<u>\$ 598,458</u>	<u>\$ 517,110</u>	<u>\$ 81,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
SPECIAL AND EXTRAORDINARY ITEMS				
Net change in fund balance			<u>\$ (28,601)</u>	
Fund balance - beginning of the year			<u>\$ 167,781</u>	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 167,781</u>	
Fund balance - end of the year			<u><u>\$ 139,180</u></u>	

**Florence-Carlton Public School
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation**

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

	General	Transportation Fund
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,189,591	\$ 488,509
Combined funds (GASBS 54) revenues	-	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 5,189,591	\$ 488,509
Uses/Outflows of resources		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,577,194	\$ 517,110
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
- Encumbrances reported at the beginning of the year	397,506	-
- Encumbrances reported at the end of the year	(63,598)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 5,911,102	\$ 517,110

Note B

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

Florence-Carlton Public School, Ravalli 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, 2009	\$ -	\$ 782,835	\$ 782,835	0%	\$ 1,603,479	48.8%
July 1, 2012	\$ -	\$ 640,957	\$ 640,957	0%	\$ 3,880,404	16.5%

SUPPLEMENTAL INFORMATION

Florence-Carlton Public School, Ravalli 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
4C English	\$ 67	\$ -	\$ -	\$ -	\$ 67
T1 Field Trip	37	-	-	-	37
1st Grade Field Trip	417	70	130	-	357
3rd Grade Field Trip	107	79	95	-	91
4th Grade Field Trip	563	918	612	-	869
5th Grade Field Trip	12	897	897	-	12
7th Grade Field Trip	213	265	250	(213)	15
8th Grade Field Trip	1,504	1,825	4,634	1,709	404
ACT Prep	45	5,051	4,634	-	462
Activity Receipts	15,283	44,144	3,268	(42,851)	13,308
Admin. Pop Mach.	160	-	-	(160)	-
Adult Education	-	830	830	-	-
Art Club	8,715	4,634	4,346	-	9,003
BIO 2	5,793	574	231	(20)	6,116
Boys Basketball	314	-	5,131	4,817	-
Boys Basketball Student	799	1,007	1,747	1,600	1,659
Boys Basketball-District	-	217	-	(217)	-
Boys Basketball-Divisional	-	233	674	441	-
Boys Basketball-State	-	3,777	7,317	7,317	3,777
Boys/Girls State	37	-	-	-	37
Branzell/Washington DC	2,854	2,944	10,941	5,170	27
Cheerleaders	1,240	6,832	6,495	(206)	1,371
Class of 2014	1,323	108	993	(5)	433
Class of 2015	1,598	730	1,658	487	1,157
Class of 2016	5,934	-	199	-	5,735
Class of 2017	1,287	683	425	1,504	3,049
Class of 2018	281	-	-	-	281
Coffee Fund	2,053	6,100	1,859	(3,882)	2,412
Computer Lab	78	-	-	-	78
Cookbook Sales	208	-	-	-	208
Drama Club	679	1,500	1,459	-	720
Driver Ed	-	19,635	19,635	-	-
Elementary Incentive	3,609	3,938	2,317	-	5,230
Elementary Music	662	127	436	-	353
Elementary Student Council	466	-	-	-	466
Elementary Yearbook	944	738	634	-	1,048
England Trip/Falcon Flyer	195	1,870	1,182	(790)	93
English AP FT	526	-	-	-	526
Environmental Club	197	-	-	-	197
F Club	379	215	-	-	594
Falcon Yearbook	5,626	11,227	15,456	1,952	3,349
Family Center - Elementary	408	-	-	-	408
Family Center - MS	467	-	-	-	467
FCPT	6,727	23,556	18,542	858	12,599
Fine Arts	238	-	-	-	238
Football	314	-	3,183	2,869	-
Football Student	1,060	1,099	2,117	1,600	1,642
Foreign Language Club	33	-	-	-	33
Geraghty's English Class	181	-	-	-	181
German Club	14	-	-	-	14
Girls Basketball	314	-	4,583	4,269	-
Girls Basketball Student	1,550	827	1,563	1,600	2,414
Girls Basketball-District	-	217	-	(217)	-
Girls Basketball-Divisional	-	233	548	315	-

Florence-Carlton Public School, Ravalli County, Montana

EXTRACURRICULAR FUND

SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS - Continued

Fiscal Year Ended June 30, 2014

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In/(Out)	Ending Balance
HS Incentive	\$ 568	\$ 2,484	\$ 2,263	\$ -	\$ 789
In & Out	4,228	10	43	(32)	4,163
Industrial Arts	1,430	890	726	-	1,594
Interest	10	68	-	(74)	4
Interest/Adjustments	10,616	701	185	(11,085)	47
JMG	169	-	-	-	169
Key Club	3,524	7,297	7,574	486	3,733
Lab Account	661	-	-	-	661
Learning Center (Sp Ed)	478	-	-	-	478
Library	436	231	664	-	3
Library/Book Fair	880	3,997	3,197	29	1,709
Lunch Alacarte	-	759	-	(759)	-
Mass Media	190	-	-	-	190
MCT	1,581	942	1,000	-	1,523
MS 6th Grade Health	37	-	-	-	37
MS 8th Grade Book Club	557	250	335	-	472
MS FCMSPA	5,403	11,046	9,029	(3,201)	4,219
MS Incentive	1,587	6,552	4,222	-	3,917
MS Student Council	460	-	316	-	144
MS Yearbook	3,570	1,328	1,190	-	3,708
Music - Band	29,408	8,080	20,178	(6,793)	10,517
Music - Choir	4,557	3,606	4,975	(1,718)	1,470
National Honor Society	1,493	5,204	5,847	563	1,413
NSF Checks/Charges	-	-	618	591	(27)
Outdoor Classroom	2,940	520	573	-	2,887
Parking Pass	3,844	-	3,844	-	-
Pep Band	127	34,382	50,209	20,965	5,265
Pep Club	200	-	-	-	200
Physics Class	188	-	-	-	188
Picture Restoration	84	-	-	-	84
PSAT	10	-	-	-	10
Reader Board	58	-	-	-	58
Rec Club	-	65	236	328	157
Science Elective	884	816	1,033	-	667
Science Olympiad	587	308	662	-	233
Softball	314	-	1,872	1,558	-
Softball Div	-	76	789	713	-
Softball Student	1,853	827	3,108	1,601	1,173
Softball-State	-	947	4,860	3,913	-
Spanish Club	878	585	-	607	2,070
Student Council	4,385	3,893	3,071	1,141	6,348
Student Council Concessions	3,574	22,629	13,664	(6,294)	6,245
Student Fines	7,769	1,183	8,952	-	-
Studio II	287	-	90	-	197
Teachers Pop	1,053	559	498	(1,114)	-
Title 9 Equality	1	13,448	2,245	(11,204)	-
Track	314	125	250	-	189
Track State	-	-	1,480	1,480	-
Track Student	2,331	827	329	1,601	4,430
Track-Divisional	-	-	40	40	-
Volleyball	314	-	4,628	4,314	-
Volleyball - Divisional	-	-	5,718	5,718	-
Volleyball District Tournament	-	-	1,660	1,660	-
Volleyball State	-	976	4,600	3,624	-
Volleyball Student	1,105	2,586	682	(159)	2,850
Weight Room	134	-	-	-	134
Wrestling	314	-	818	504	-
Wrestling State	1	410	1,449	1,449	411
Wrestling Student	3,012	827	3,112	1,601	2,328
Yo-Yo	151	-	-	-	151
Total	\$ 184,066	\$ 286,534	\$ 311,855	\$ -	\$ 158,745

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
Florence-Carlton Public School
Ravalli County
Florence, 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 Florence-Carlton Public School, Ravalli County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Florence-Carlton Public School's basic financial statements and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florence-Carlton Public School, Ravalli 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 Florence-Carlton Public School, Ravalli County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Florence-Carlton 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 consider the deficiencies described below to be significant deficiencies as identified as items 2014-002 and 2014-003.

2014-001 Financial Statement Reporting

Condition:

- a) The payroll and claim agency funds were not reported in the Trustee's Financial Summary (TFS).
- b) Federal revenues are not properly reported by grant.

Context:

- a) The payroll and claims agency funds total assets were underreported by \$425,322, total liabilities were also underreported by \$425,322.
- b) Title IA – Improving Basic Programs federal revenue was overstated by \$10,627. Carl Perkins federal revenue was understated by \$10,627

Criteria:

Internal control procedures should be in place to ensure financial presentation is complete and accurate.

Effect:

- a) Cash and warrants payable were understated in the Fiduciary Statement of Net Position for the Agency funds by \$425,322. This has been corrected for the audit report
- b) Federal revenues had a net effect of zero on the financial statements.

Cause:

The School District did not have internal control procedures in place related to financial reporting.

Recommendation:

We recommend that the school district implement an internal control procedure in which the TFS is compared to the accounting records to ensure the completeness of the financial statements for external presentation.

Auditee Response:

The school district will implement internal control procedures for correct report of the TFS.

2014-002 Deferred Inflows/Local Revenue

Condition:

The district overstated deferred inflows and understated local (tax) revenue in the General Fund \$32,096, in the Transportation Fund \$18,651 and in the aggregate funds \$1,830.

Context:

The school district recognized June tax revenues from Missoula County that were not paid to the school district until July.

Criteria:

Revenue recognition criteria for the school district is upon receipt.

Effect:

Overstated deferred inflows and understated local revenues \$52,577.

Cause:

The district reported the June tax revenues received by the Missoula County Treasurer in June, but not received by the district until July, as due from other governments and deferred revenue. The amounts should have been reported as due from other governments and local revenue.

Recommendation:

The district should record revenues when they are received.

Auditee Response:

The school district will be more aware of recognizing tax revenues at year end.

2014-003 Student Extracurricular Accounts

Condition:

During our review of the Student Extracurricular Accounts we noted the school district reported expenditures and revenues from the following accounts:

1. Drivers Ed revenues and expenditures of \$19,635 were reported in both the student activity account and the Drivers Ed fund.
2. Parking Pass, Student Fines and Teachers Pop accounts had a beginning fund balance of \$12,666 in the student activity account and recorded \$2,501 in revenue, the accounts recorded \$15,167 in expenditures. The Parking Pass, Student Fines and Teachers Pop accounts were eliminated from the student activities account before the end of the year.

Context:

1. Revenues and expenditures of \$19,635 were recorded twice on the TFS for the Drivers Ed Fund and the student activities account.
2. Parking Pass, Student Fines, and Teachers Pop had a combined beginning fund balance of \$12,666 in the student activity account. Combined revenue of \$2,501 and expenditures of \$15,167 were eliminated from student activities.

Criteria:

The Student Activity Fund Accounting manual issued by the Montana Associations of School Business Officials states in part, since an extracurricular fund is established for student functions, all receipts should be related to organized student activities or student assessments. Interest earned must be deposited to the fund from which the investment is made.

Effect:

1. Drivers Ed revenues and expenditures of \$19,635 were reported twice on the TFS, once in the Drivers Ed fund and once in the Student Activities account. The Drivers Ed account does not have an ending balance as of June 30, 2014 in student activities.
2. Parking Pass, Student Fines and Teachers Pop accounts were eliminated from student activities and moved to the district, these accounts do not have an ending balance as of June 30, 2014 in student activities.

Cause:

1. The District did not remove all non-student activities, and reported revenues and expenditures of \$19,635 on the TFS in both the Drivers Ed fund and Student Activities.
2. The district began the year with a combined total of \$12,666 beginning balance in the Parking Pass, Student Fines and Teachers Pop account.

Recommendation:

We recommend only student functions be included in the extracurricular fund.

Auditee Response:

Per advice of the auditor we will continue to zero out non-student functions in our extracurricular fund by June 30th of each year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Florence-Carlton 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below as item 2014-004.

2014-004 Exceeding Budget Authority**Condition:**

The district exceeded its budget authority in the Retirement fund.

Context:

Expenditures for the Retirement fund exceed budget authority by \$92,766. A budget amendment was not issued for the retirement fund.

Criteria:

20-9-133 (2) MCA states “Except as provided in subsection (3), the trustees and all officers and employees of the district are limited in making expenditures or incurring liabilities to the total amount of each fund's budget. Transfers from any appropriation item to another appropriation item within a fund's budget or transfers between different funds or between the final budget and a budget amendment may be made as provided by 20-9-208. Except as provided in subsection (3), money of the district may not be used to pay expenditures made, liabilities incurred, or warrants issued in excess of the final budget established for each budgeted fund.

Effect:

The Retirement fund exceeded the budget authority by \$92,766.

Cause:

House bill 377 required schools to remit excess operating reserves to the Teachers Retirement System (TRS). The school district remitted \$114,822 to TRS and did not budget for this expenditure.

Recommendation:

The District should implement internal control procedures to ensure that budget and expenditures are in compliance with MCA.

Auditee Response:

The school district is aware of the issue and will watch the expenditure budget.

Florence-Carlton Public School's Response to Findings

Florence-Carlton Public School's response to the findings identified in our audit is described above. Florence-Carlton 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.

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

June 29, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Florence-Carlton Public School
Ravalli County
Florence, Montana

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
School Food Revenue Misclassification	Implemented
Student Extracurricular Accounts	Repeated

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

June 29, 2015