

FORT BENTON SCHOOL DISTRICT NO. 1

**CHOUTEAU COUNTY
FORT BENTON, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Fort Benton School District No. 1
 Chouteau County
 Fort Benton, MT 59442

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Fort Benton School District No. 1
Chouteau County
Fort Benton, MT 59442

ORGANIZATION

BOARD OF TRUSTEES

Angel Johnson	Chair
Dean Schuler	Vice Chair
Ali Nardinger	Trustee
Darin Arganbright	Trustee
Brant Hasbrouck	Trustee
Dyke Kalanick	Trustee
Rod DeBruycker	Trustee
Mark Smith	Trustee

OFFICIALS

Scott Chauvet	Superintendent
Jeannette Nelson	District Clerk
Rick Cook	County Superintendent
Steve Gannon	County Attorney

**Fort Benton School District #1
Management Discussions and Analysis (MD&A)
For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of Fort Benton Schools have provided this MD&A to give the reader or these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

Using This Audit Report

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

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

Reporting the District most Significant Funds

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

The fund statements report balances and activities of the most significant or “major” funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district’s operations, and the existence of the legal budget requirements.

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

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

Reporting the District’s Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund. This report includes the activities of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations.

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

NET POSITION

Governmental Activities

	<u>2013</u>	<u>2012</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
Current Assets		1,049,458	(12,399)	-1.17%
Capital Assets, net		<u>2,960,412</u>	<u>(34,729)</u>	<u>-1.16%</u>
Total Assets		<u>4,009,870</u>	<u>(47,128)</u>	<u>-1.16%</u>
Current Liabilities		6,109	(73,959)	-92.37%
Long Term Liabilities		<u>165,877</u>	<u>(46,168)</u>	<u>-21.77%</u>
Total Liabilities		171,986	(120,127)	-41.12%
Net Position:				
Invested in Capital Assets				
Net of Related Debt		2,960,412	111,461	3.91%
Restricted		<u>713,664</u>	713,664	#DIV/0!
Unrestricted		<u>163,808</u>	<u>(752,126)</u>	<u>-82.12%</u>
Total Net Position		<u>3,837,884</u>	<u>72,999</u>	<u>1.94%</u>

CHANGES IN NET POSITION

Revenues

Program Revenues:

Charges for Services	44,970	(45,539)	-50.31%
Operating Grants	414,702	(29,624)	-6.67%

General Revenues:

District Levy	1,506,922	37,342	2.54%
State Equalization	889,691	(5,058)	-0.57%
Other State Revenue	683,740	135,714	24.76%
County	271,143	6,280	2.37%
Federal	0	(1,049)	-100.00%
Gain on Asset	0	(6,062)	-100.00%
Investment Earnings	3,036	(1,646)	-35.15%
Other	<u>20,451</u>	<u>18,821</u>	<u>1154.22%</u>
Total Revenues	3,834,656	109,178	2.93%

Program Expenses

Instruction	1,609,780	88,319	5.20%
Support	115,599	(39,211)	-51.33%
Media	69,546	(11,157)	-19.11%
Administration:	670,977	(108,285)	-19.24%
O & M	521,810	(17,354)	-3.44%
Transportation	354,702	18,845	5.04%
Extracurricular	192,304	9,411	4.67%
School Food	127,043	(6,235)	-5.16%
Interest	5,334	3,780	41.48%
OPEB	38,928	(14,940)	-62.28%
Depreciation-unallocated	<u>55,635</u>	<u>(3,671)</u>	<u>-7.07%</u>
Total Expenses	3,761,657	(80,500)	-2.19%

Change in Net Position

72,999

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 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, including reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in Net Position over time is one indicator of whether the District's financial health is improving or deteriorating. There are also other non-financial factors that influence the District's fiscal health, such as enrollment changes, changes in the State's funding or educational costs, changes in the economy or changes in the District's tax bases.

Fort Benton's enrollment has been relatively stable which gives our tax payers somewhat of a break.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant of the District's funds. Major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of the total government fund amounts. In the 2013 fiscal year, the assets, liabilities, revenues and expenditure of the high school and elementary general funds, the elementary building fund, the high school bus depreciation fund, and the high school miscellaneous programs funds exceed the thresholds. The bus depreciation fund is funded primarily by property taxes and the building fund is utilized for long-term building projects. The miscellaneous programs fund is funded by grant funds such as Title Funds, Carl Perkins, Vocational Education and any one-time only funds appropriated by the legislature.

The major government funds provide a short-term view of the 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.

Capital Assets

As of June 30, 2014, the District had a total Net Position of \$3,837,884 including land, buildings, machinery and equipment. This was an increase in Net Position of \$72,999 from the previous year. The district currently has no long-term debt such as bonds, leases, or long-term notes.

The District's Future

Small Rural Schools fund continue to enhance programs by providing additional funding. Funds from this program enable the district to ease the burden on the general fund. Funds are typically used for technology purposes. These funds may be spent according to any Title program. Fort Benton Schools currently receives approximately \$22,332 in Small Rural Schools Funds annually.

In the past five years Fort Benton Schools has replaced most of their flat roofs with metal roofing through a Building Reserve Levy, and boilers in both schools. We will continue keeping our buildings appropriately maintained. In the upcoming years our gym floors and auditorium will require updating.

Due to the age of our elementary building we are seeing signs of deterioration.

Contact for Additional Information

If you have questions about this report or need additional information contact Scott Chauvet, Superintendent, or Jeannette Nelson, District Clerk at PO Box 399, Fort Benton, Montana, or by phone at (406) 622-5691.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fort Benton School District No. 1
Chouteau County
Fort Benton, MT 59442

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Benton School District No. 1 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Benton School District No. 1 as of 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-5) and the schedule of funding for other post-employment benefits other than pensions (page 24 and budgetary comparison information (pages 25-30) 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Benton School District No. 1's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (pages 31-32) and schedule of reported enrollment (page 33) 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 May 22, 2015 on our consideration of Fort Benton School District No. 1 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 Fort Benton School District No. 1 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
May 22, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	Governmental Activities	Component Units
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,019,672	\$ 44,615
Taxes Receivable	126,593	-
Due From Other Governments	4,712	-
Total Current Assets	<u>1,150,977</u>	<u>44,615</u>
Noncurrent Assets:		
Capital Assets:		
Land	520,770	-
Net Depreciable Assets	2,551,133	-
Total noncurrent assets	<u>3,071,903</u>	<u>-</u>
Total Assets	<u>\$ 4,222,880</u>	<u>\$ 44,615</u>
LIABILITIES:		
Current Liabilities		
Current Portions Compensated Absences	6,565	-
Current Portion Long-Term Capital Obligations	10,879	-
Total Current Liabilities	<u>17,444</u>	<u>-</u>
Noncurrent Liabilities:		
Long-Term Obligations	149,820	-
Compensated Absences	59,081	-
Long-Term Capital Obligations	48,903	-
Total noncurrent Liabilities	<u>257,804</u>	<u>-</u>
Total Liabilities	<u>275,248</u>	<u>-</u>
NET POSITION:		
Net Investment in Capital Assets	3,012,121	-
Restricted	606,984	44,615
Unrestricted (deficit)	328,527	-
Total Net Position	<u>3,947,632</u>	<u>44,615</u>
Total Liabilities and Net Position:	<u>\$ 4,222,880</u>	<u>\$ 44,615</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	Primary Government	
				Governmental Activities	Component Units
GOVERNMENT OPERATIONS					
Instructional Services	\$ 1,773,662	\$ 8,827	\$ 283,590	\$ (1,481,245)	\$ -
Support Services	136,619	-	-	(136,619)	-
Educational Media Services	66,862	-	6,495	(60,367)	-
General Administrative Services	641,886	100,847	-	(541,039)	-
Operation & Maintenance Services	573,776	-	-	(573,776)	-
Transportation Services	363,702	-	151,256	(212,446)	-
School Food Services	121,494	41,467	54,207	(25,820)	-
Extracurricular	189,626	-	-	(189,626)	-
Unallocated Depreciation Expense *	47,385	-	-	(47,385)	-
Total Governmental Activities	3,915,012	151,141	495,548	(3,268,323)	
COMPONENT UNITS					
Instruction	\$ 14,515	\$ -	\$ 14,515		\$ -
Support	146,132	-	148,550		\$ 2,418
Administration	23,766	15,319	8,447		\$ -
Total Component Units	\$ 184,413	\$ 15,319	\$ 171,512		\$ 2,418
GENERAL REVENUES					
District Levies				1,405,177	-
State Equalization				895,047	-
Other State Revenues				488,960	-
County				576,987	1,049
Interest				1,934	85
Other				11,146	-
Gain (loss) on Sale of Assets				(1,180)	-
Internal Balances				-	-
Total General Revenues				3,378,071	1,134
Change in Net Position				109,748	3,552
Net Position					
Beginning of the Year				3,837,884	41,063
End of the Year				\$ 3,947,632	\$ 44,615

* 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				Other Governmental Funds	Total Governmental Funds
	General Fund	EL Retirement	HS Transportation	HS Retirement		
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	451,173	141,066	68,770	189,971	168,692	1,019,672
Taxes Receivable	92,820	-	13,445	-	20,328	126,593
Due From Other Governments	-	-	-	-	4,712	4,712
Total Assets	\$ 543,993	\$ 141,066	\$ 82,215	\$ 189,971	\$ 193,732	\$ 1,150,977
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	92,820	-	13,445	-	20,328	126,593
Total Deferred Inflows of resources	92,820	-	13,445	-	20,328	126,593
FUND BALANCE:						
Fund Balances:						
Restricted	-	141,066	68,770	189,971	173,404	573,211
Unassigned:	451,173	-	-	-	-	451,173
Total Fund Balance	451,173	141,066	68,770	189,971	173,404	1,024,384
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 543,993	\$ 141,066	\$ 82,215	\$ 189,971	\$ 193,732	\$ 1,150,977

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,024,384
Governmental Capital Assets	3,071,903
Long-term Liabilities	
Long-Term Obligations	(149,820)
Compensated Absences	(65,646)
Long-Term Capital Obligations	(59,782)
Unavailable Property Taxes Receivable	126,593
Net Position of Governmental Activities	\$ 3,947,632

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				Other Governmental Funds	Total Governmental Funds
	General Fund	EL Retirement	HS Transportation	HS Retirement		
REVENUES:						
District Levies	\$ 1,047,699	\$ -	\$ 231,493	\$ -	\$ 121,501	\$ 1,400,693
Interest	1,080	109	57	131	557	1,934
Charges for Services	-	-	-	-	45,287	45,287
Other	11,146	-	-	-	2,485	13,631
County	-	275,942	66,899	301,045	702	644,588
State	1,536,467	-	69,970	-	119,695	1,726,132
Federal	-	-	-	-	189,191	189,191
Total Revenues	<u>2,596,392</u>	<u>276,051</u>	<u>368,419</u>	<u>301,176</u>	<u>479,418</u>	<u>4,021,456</u>
EXPENDITURES:						
Current						
Instructional Services	1,327,815	124,622	-	89,952	191,967	1,734,356
Support Services	73,698	28,048	-	34,746	-	136,492
Educational Media Services	53,434	3,494	-	3,439	6,495	66,862
General Administrative Services	388,103	27,384	91,496	28,426	100,847	636,256
Operation & Maintenance Services	483,470	15,458	-	6,298	10,863	516,089
Transportation Services	25,246	834	263,800	14,662	1,916	306,458
School Food Services	23,733	8,205	-	-	89,312	121,250
Extracurricular	174,250	3,633	-	11,300	-	189,183
Capital Outlay	69,857	-	25,777	-	181,623	277,257
Total Expenditures	<u>2,619,606</u>	<u>211,678</u>	<u>381,073</u>	<u>188,823</u>	<u>583,023</u>	<u>3,984,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,214)</u>	<u>64,373</u>	<u>(12,654)</u>	<u>112,353</u>	<u>(103,605)</u>	<u>37,253</u>
OTHER FINANCING SOURCES/USES						
Loan Proceeds	59,782	-	-	-	-	59,782
Fund Transfers In	-	-	41,000	-	-	41,000
Fund Transfers (Out)	-	-	-	-	(41,000)	(41,000)
Total Other financial Sources/Uses	<u>59,782</u>	<u>-</u>	<u>41,000</u>	<u>-</u>	<u>(41,000)</u>	<u>59,782</u>
NET CHANGES IN FUND BALANCES	<u>36,568</u>	<u>64,373</u>	<u>28,346</u>	<u>112,353</u>	<u>(144,605)</u>	<u>97,035</u>
FUND BALANCE:						
Beginning of the Year	248,617	76,693	40,424	77,618	483,997	927,349
Prior Period Adjustments	165,988	-	-	-	(165,988)	-
End of the Year	<u>\$ 451,173</u>	<u>\$ 141,066</u>	<u>\$ 68,770</u>	<u>\$ 189,971</u>	<u>\$ 173,404</u>	<u>\$ 1,024,384</u>

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

Fort Benton School District No. 1
Chouteau County
Fort Benton, MT 59442

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		\$	97,035
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			4,484
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Lease Proceeds			(59,782)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(164,586)		
(Increase) decrease in Other Post Employment Benefits	(38,928)		
(Increase) decrease in compensated absence liability	<u>(4,552)</u>		(208,066)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	277,257		
Gain loss on sale of assets	<u>(1,180)</u>		<u>276,077</u>
Change in net position reported on the Statement of Activity		\$	<u>109,748</u>

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

Fort Benton School District No. 1
 Chouteau County
 Fort Benton, MT 59442

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	\$ 132,504	\$ 95,603
Total Assets	<u>132,504</u>	<u>95,603</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	95,603
Total Liabilities	<u>-</u>	<u>95,603</u>
NET POSITION:		
Restricted for Endowment	12,594	
Restricted for Student Activities	119,910	
Total Net Position	<u>\$ 132,504</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	\$ 159,947
Contributions to Endowment	640
Total Additions	<u>160,587</u>
DEDUCTIONS:	
Expenses of Student Activities	169,987
Total Deductions	<u>169,987</u>
CHANGE IN NET POSITION	(9,400)
NET POSITION:	
Beginning of the Year	141,904
End of the Year	<u>\$ 132,504</u>

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

FORT BENTON SCHOOL DISTRICT NO. 1

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 Fort Benton School District No. 1 (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.

School District No. 1 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 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 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 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 District. Based on those criteria, it was determined that the Chouteau County Joint Services Cooperative (Cooperative) is a component unit. Therefore, the financial statements of the reporting entity's include those of School District No. 1 (the primary government) and the Cooperative (the component unit) which is discretely presented. The Cooperative is managed by a representative board but all financial, personnel, and operations of the Cooperative are done by the Fort Benton School District No. 1.

FORT BENTON SCHOOL DISTRICT NO. 1

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

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 (primary government). Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The component unit column incorporates data from certain legally separate component units where the School District is financially accountable.

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.
- Operating 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 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 and proceeds from long-term debt or capital leases are reported as other financing sources.

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.

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.

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:

FORT BENTON SCHOOL DISTRICT NO. 1

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

- 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).

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. In the governmental fund financial statements the general fund also includes the activities of the high school interlocal fund and the flexibility funds since the restrictions on those funds are similar to the general fund.
- High School Transportation Fund – This fund is used to account for financing the maintenance and operation of School 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. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.
- Elementary and High School Retirement Funds – This fund is used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for School District employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.

1. b. 3 OTHER FUND TYPES

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 and for warrants written but not redeemed that are reported in the School District's 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. This fund primarily consists of revenues collected by the County on behalf of other governments.

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 Chouteau County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

FORT BENTON SCHOOL DISTRICT NO. 1

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

1. c. 2 TAXES

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

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.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

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	7 - 99 years
Machinery and Equipment	5 - 25 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 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 employees do not receive compensated absence payouts.

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 \$6,565 and it is generally paid out of the general fund.

FORT BENTON SCHOOL DISTRICT NO. 1

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

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.

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.
- 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>
Instructional - Regular	\$ 23,138
Student Transportation	153,267
School Food	18,517
Third Party Grantor Restrictions	18,224
Employer Retirement Benefits	332,909
Future Technology	20,996
Future Capital Costs	6,160
Total	<u>\$ 573,211</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.

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 Chouteau 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 Chouteau County Treasurer. No service charges have been recorded by the School District or the Chouteau 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</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Component</u> <u>Units</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,019,672	\$ 228,107	\$ 44,615	\$ 1,292,394

FORT BENTON SCHOOL DISTRICT NO. 1

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

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

	<u>Amount</u>
Cash on Hand	\$ 400
Demand Accounts	61,909
Time Deposits	57,901
County Investment Pool	<u>1,172,184</u>
Total	<u>\$ 1,292,394</u>

Cash resources of the School District are held and managed by the Chouteau County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Chouteau County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of certificates of deposit, repurchase agreements, and STIP 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 Chouteau County government. Because of the custodial involvement of the Chouteau County government, and the commingling of cash in County deposits in the name of the Chouteau County Treasurer, full risk classifications according to GASB 40 are available in the Chouteau County's annual report. There is no known maturity and credit rating of the Chouteau County Investment Pool.

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Chouteau County and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$5,352,309 for the Elementary School District and \$8,151,487 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 schools follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	87.51	\$ 51,757
Transportation	6.99	3,819
Adult Education	1.37	670
Technology	3.74	2,071
Building Reserve	0.00	4,104
<u>High School Fund</u>		
General*	72.14	41,063
Transportation*	28.94	13,445
Bus Depreciation	2.83	2,015
Adult Education	1.06	551
Technology	2.45	1,471
Building Reserve	<u>0.00</u>	<u>5,627</u>
Total	<u>207.03</u>	<u>\$ 126,593</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
<u>Elementary Fund</u>			
School Food Services	\$ 1,073	State of Montana	School food payment
Miscellaneous	1,986	Department of Education	Grant payments
<u>High School Fund</u>			
Traffic Education	<u>1,653</u>	State of Montana	Grant payments
Total	<u>\$ 4,712</u>		

* Denotes Major Funds

FORT BENTON SCHOOL DISTRICT NO. 1

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

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</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Non-depreciable:</u>				
Land	\$ 520,770	\$ 0	\$ 0	\$ 520,770
<u>Depreciable:</u>				
Buildings	\$ 8,060,150	\$ 0	\$ 0	\$ 8,060,150
Machinery and equipment	1,387,061	296,882	175,833	1,508,110
Total Depreciable	\$ 9,447,211	\$ 296,882	\$ 175,833	\$ 9,568,260
<u>Accumulated Depreciation:</u>				
Buildings	\$ (6,088,668)	\$ (96,595)	\$ 0	\$ (6,185,263)
Machinery and equipment	(918,901)	(67,991)	(155,028)	(831,864)
Total Depreciation	\$ (7,007,569)	\$ (164,586)	\$ (155,028)	\$ (7,017,127)
Net Depreciable Assets	2,439,642	132,296	20,805	2,551,133
Net General Capital Assets	\$ 2,960,412	\$ 132,296	\$ 20,805	\$ 3,071,903

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 1,115
Media	127
School Administration	1,350
Operation & Maintenance	56,854
Transportation	56,950
School Food	362
Extracurricular	443
Unallocated	47,385
Total Depreciation Expense	\$ 164,586

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>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>				
Capital Lease	\$ 0	\$ 59,782	\$ 59,782	\$ 10,879
<u>Other Liabilities:</u>				
Compensated Absences	\$ 61,094	\$ 4,552	\$ 65,646	\$ 6,565
Other Post-Employment Benefits (OPEB)	110,892	38,928	149,820	0
Total Other Liabilities	\$ 171,986	\$ 43,480	\$ 215,466	\$ 6,565
Total Governmental Activities - Long-Term Debt:	\$ 171,986	\$ 103,262	\$ 275,248	\$ 17,444

6. b. CAPITAL LEASES

A lease purchase agreement was entered into between De Lage Landen Public Finance LLC and Fort Benton School District No. 1 on May 29, 2014. This lease-purchase agreement provided a method of financing eight copier machines for the School District. The amount due on this lease purchase is reflected as a liability on the financial statements of the School District in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is \$79,782.

FORT BENTON SCHOOL DISTRICT NO. 1

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

The principal amount paid as of June 30, 2014 was \$0. Liability is shared equally between the elementary and high school. The principal balance as of June 30, 2014 was \$59,782.

For the year	Future Minimum Lease Payments
ended 6/30:	
2015	\$ 13,545
2016	13,545
2017	13,545
2018	13,545
2019	<u>13,544</u>
Total	<u>\$ 67,724</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 51,757	Taxes Receivable
Transportation	3,819	Taxes Receivable
Adult Education	670	Taxes Receivable
Technology	2,071	Taxes Receivable
Building Reserve	4,104	Taxes Receivable
<u>High School Fund</u>		
General*	41,063	Taxes Receivable
Transportation*	13,445	Taxes Receivable
Bus Depreciation	2,015	Taxes Receivable
Adult Education	551	Taxes Receivable
Technology	1,471	Taxes Receivable
Building Reserve	<u>5,627</u>	Taxes Receivable
Total	<u>\$ 126,593</u>	

* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 12,595	To include Flexibility fund in General
Flexibility	(12,595)	To include Flexibility fund in General
<u>High School Fund</u>		
General*	153,393	To include Flexibility and Interlocal funds in General
Flexibility	(36,919)	To include Flexibility fund in General
Interlocal agreement	<u>(116,474)</u>	To include Interlocal fund in General
Total	<u>\$ 0</u>	

* Denotes Major Funds

NOTE 9. OPERATING TRANSFERS

<u>High School Fund - In</u>	<u>Amount</u>	<u>Elementary Fund - Out</u>	<u>Purpose of Transfer</u>
Transportation*	\$41,000	Transportation	Transfer from Elementary to High School

* Denotes Major Funds

FORT BENTON SCHOOL DISTRICT NO. 1

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

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The District provides the same health care plan to all of its members. The implicit subsidy is \$7,534 per member and \$11,597 per member and spouse. The 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)	\$ 299,542
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>299,542</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,101,104
UAAL as a percentage of covered payroll	14%

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, 2014.

Annual Required Contribution (ARC)	\$ 38,928
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	38,928
Contribution made	<u>0</u>
Increase in net OPEB obligation	38,928
Net OPEB obligation - beginning of year	<u>110,892</u>
Net OPEB obligation - end of year	<u>\$ 149,802</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)	5.50%
Average Salary Increase	3.00%
Health care cost rate trend	
Year	% Increase
2015 and after	3.00%

NOTE 11. RISK MANAGEMENT

The School District, including its component units, 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.

FORT BENTON SCHOOL DISTRICT NO. 1

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

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 12. 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	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

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	\$ 243,069	\$ 244,390	\$ 280,080
PERS	<u>77,051</u>	<u>75,420</u>	<u>84,358</u>
Total	<u>\$ 320,120</u>	<u>\$ 319,810</u>	<u>\$ 364,438</u>

NOTE 13. RELATED PARTY TRANSACTION

Fort Benton School District No. 1 shows the Chouteau County Joint Services Cooperative as a discretely presented component unit of the District as shown in note 1.a. As a member of the Cooperative the District paid \$4,351 in membership fees in fiscal year 2014.

FORT BENTON SCHOOL DISTRICT NO. 1

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>
7/1/2014	\$ -	\$ 299,542	\$ 299,542	0%	\$ 2,101,104	14%

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 (EL)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 468,366	\$ 468,366	\$ 466,981	\$ 587,986	\$ 587,986	\$ 580,718
Interest	389	389	376	304	304	313
Charges for Services	-	-	-	-	-	-
Other	348	348	1,146	103	103	-
County	-	-	-	-	-	-
State	870,304	870,304	870,304	639,838	639,838	640,312
Total Revenues	<u>1,339,407</u>	<u>1,339,407</u>	<u>1,338,807</u>	<u>1,228,231</u>	<u>1,228,231</u>	<u>1,221,343</u>
EXPENDITURES:						
Current						
Instructional Services			786,289			541,096
Support Services			8,244			63,768
Educational Media Services			26,426			27,008
General Administrative Services			218,677			169,049
Operation & Maintenance Services			240,988			222,377
Transportation Services			6,135			19,111
School Food Services			143			23,590
Extracurricular			32,322			141,928
Total Current Outlays			<u>1,319,224</u>			<u>1,207,927</u>
Capital Outlay			5,000			5,075
Total Expenditures	<u>1,339,407</u>	<u>1,339,407</u>	<u>1,324,224</u>	<u>1,228,231</u>	<u>1,228,231</u>	<u>1,213,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	-	-	14,583	-	-	8,341
OTHER FINANCING SOURCES/USES						
Fund Transfers In			-			-
Fund Transfers (Out)			(15,000)			(15,000)
Total Other financial Sources/Uses	-	-	(15,000)	-	-	(15,000)
NET CHANGES IN FUND BALANCES						
	-	-	(417)	-	-	(6,659)
FUND BALANCE:						
Beginning of the Year			128,920			119,697
End of the Year			<u>\$ 128,503</u>			<u>\$ 113,038</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 (EL)			Flexibility (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies			\$ -			\$ -
Interest			31			101
Charges for Services			-			-
Other			-			-
County			-			-
State	6,519	6,519	6,519	19,332	19,332	19,332
Total Revenues	<u>6,519</u>	<u>6,519</u>	<u>6,550</u>	<u>19,332</u>	<u>19,332</u>	<u>19,433</u>
EXPENDITURES:						
Current						
Instructional Services			-			430
Support Services			-			1,686
Educational Media Services			-			-
General Administrative Services			377			-
Operation & Maintenance Services			-			-
Transportation Services			-			-
School Food Services			-			-
Extracurricular			-			-
Total Current Outlays			<u>377</u>			<u>2,116</u>
Capital Outlay			-			-
Total Expenditures	<u>19,114</u>	<u>19,114</u>	<u>377</u>	<u>56,251</u>	<u>56,251</u>	<u>2,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,595)</u>	<u>(12,595)</u>	<u>6,173</u>	<u>(36,919)</u>	<u>(36,919)</u>	<u>17,317</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers In			-			-
Fund Transfers (Out)			-			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(12,595)</u>	<u>(12,595)</u>	<u>6,173</u>	<u>(36,919)</u>	<u>(36,919)</u>	<u>17,317</u>
FUND BALANCE:						
Beginning of the Year			<u>12,595</u>			<u>36,919</u>
End of the Year			<u>\$ 18,768</u>			<u>\$ 54,236</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

	EL Retirement			HS Transportation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ 235,904	\$ 235,904	\$ 231,493
Interest	-	-	109	-	-	57
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
County	283,307	283,307	275,942	68,251	68,251	66,899
State	-	-	-	77,017	77,017	69,970
Total Revenues	283,307	283,307	276,051	381,172	381,172	368,419
EXPENDITURES:						
Current						
Instructional Services	212,944	212,944	124,622	-	-	-
Support Services	28,048	28,048	28,048	-	-	-
Educational Media Services	3,494	3,494	3,494	-	-	-
General Administrative Services	27,384	27,384	27,384	91,495	91,495	91,496
Operation & Maintenance Services	15,458	15,458	15,458	-	-	-
Transportation Services	834	834	834	289,677	289,677	263,800
School Food Services	8,205	8,205	8,205	-	-	-
Extracurricular	3,633	3,633	3,633	-	-	-
Total Current Outlays	300,000	300,000	211,678	381,172	381,172	355,296
Capital Outlay	-	-	-	-	-	25,777
Total Expenditures	300,000	300,000	211,678	381,172	381,172	381,073
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,693)	(16,693)	64,373	-	-	(12,654)
OTHER FINANCING SOURCES/USES						
Fund Transfers In	-	-	-	-	-	41,000
Fund Transfers (Out)	-	-	-	-	-	-
Total Other financial Sources/Uses	-	-	-	-	-	41,000
NET CHANGES IN FUND BALANCES	(16,693)	(16,693)	64,373	-	-	28,346
FUND BALANCE:						
Beginning of the Year	-	-	76,693	-	-	40,424
End of the Year	-	-	<u>\$ 141,066</u>	-	-	<u>\$ 68,770</u>

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

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

	Retirement (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	131
Charges for Services	-	-	-
Other	-	-	-
County	312,382	312,382	301,045
State	-	-	-
Total Revenues	312,382	312,382	301,176
EXPENDITURES:			
Current			
Instructional Services	226,129	226,129	89,952
Support Services	34,746	34,746	34,746
Educational Media Services	3,439	3,439	3,439
General Administrative Services	28,426	28,426	28,426
Operation & Maintenance Services	6,298	6,298	6,298
Transportation Services	14,662	14,662	14,662
School Food Services	-	-	-
Extracurricular	11,300	11,300	11,300
Total Current Outlays	325,000	325,000	188,823
Capital Outlay	-	-	-
Total Expenditures	325,000	325,000	188,823
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,618)	(12,618)	112,353
OTHER FINANCING SOURCES/USES			
Fund Transfers In	-	-	-
Fund Transfers (Out)	-	-	-
Total Other financial Sources/Uses	-	-	-
NET CHANGES IN FUND BALANCES	(12,618)	(12,618)	112,353
FUND BALANCE:			
Beginning of the Year	-	-	77,618
End of the Year	-	-	<u>\$ 189,971</u>

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

FORT BENTON SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS 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, Tuition, Retirement, Adult Education, Technology, Flexibility) 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.

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.

FORT BENTON SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS 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 (Elem)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Sub-fund Interlocal Agreement</u>	<u>Total General Fund</u>
REVENUES:						
District Levies	\$ 466,981	\$ 580,718	\$ 0	\$ 0	\$ 0	\$ 1,047,699
Interest Earnings	376	313	31	101	259	1,080
Other	1,146	0	0	0	10,000	11,146
State Sources	<u>870,304</u>	<u>640,312</u>	<u>6,519</u>	<u>19,332</u>	<u>0</u>	<u>1,536,467</u>
Total Revenues	<u>\$ 1,338,807</u>	<u>\$ 1,221,343</u>	<u>\$ 6,550</u>	<u>\$ 19,433</u>	<u>\$ 10,259</u>	<u>\$ 2,596,392</u>
EXPENDITURES:						
Instructional Services	786,289	541,096	0	430	0	1,327,815
Support Services	8,244	63,768	0	1,686	0	73,698
Educational Media	26,426	27,008	0	0	0	53,434
General Administrative	218,677	169,049	377	0	0	388,103
Operation & Maintenance	240,988	222,377	0	0	20,105	483,470
Transportation	6,135	19,111	0	0	0	25,246
School Food	143	23,590	0	0	0	23,733
Extracurricular	32,322	141,928	0	0	0	174,250
Capital Outlay	<u>5,000</u>	<u>5,075</u>	<u>0</u>	<u>0</u>	<u>59,782</u>	<u>69,857</u>
Total Expenditures	<u>\$ 1,324,224</u>	<u>\$ 1,213,002</u>	<u>\$ 377</u>	<u>\$ 2,116</u>	<u>\$ 79,887</u>	<u>\$ 2,619,606</u>
OTHER FINANCING SOURCES/USES						
Loan proceeds	0	0	0	0	59,782	59,782
Fund transfer in (out)	(15,000)	(15,000)	0	0	30,000	0
Net Changes In Fund Balance	(417)	(6,659)	6,173	17,317	20,154	36,568
FUND BALANCE:						
Beginning of the Year	128,920	119,697	0	0	0	248,617
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>12,595</u>	<u>36,919</u>	<u>116,474</u>	<u>165,988</u>
Ending of the Year	<u>128,503</u>	<u>113,038</u>	<u>18,768</u>	<u>54,236</u>	<u>136,628</u>	<u>451,173</u>

In the reconciliation the general fund, flexibility funds and Interlocal agreement 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 funds and Interlocal agreement 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 funds because they are reported as major funds and have legally adopted budgets.

FORT BENTON SCHOOLS
 SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCES
 EXPENDABLE TRUST - EXTRACURRICULAR FUNDS

June 30, 2014

Page 1 of 2

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
ACTIVITIES	19,571	34,050	35,609	18,012
B-CLUB	547	998	-	1,545
STUDENT COUNCIL	2,144	165	914	1,395
STU COUNCIL CONCESSIONS	33,544	33,025	46,556	20,013
MS STUDENT COUNCIL	1,931	6,536	5,879	2,588
MS ACTIVITIES	1,552	5,559	5,897	1,214
TRI-M	2,407	1,422	1,013	2,816
ELEM/BOX TOPS	2,149	894	2,076	967
VOLLEYBALL	521	587	482	626
SCIENCE CLUB	2,417	2,701	5,026	92
FACS-HOME EC	231	1,423	1,339	315
BAND INSTRUMENTS	1,138	396	220	1,314
WRESTLING	901	477	156	1,222
DRAFTING/IA/T&I	294	846	893	247
BLM	2,999	1,320	3,269	1,050
NHS	355	605	242	718
POSTER FUND	2,799	805	3,068	536
CLOSE UP	2,090	17,051	15,278	3,863
APPLEBY FAMILY SCHOOL	642	1,000	500	1,142
CLASS OF 2014	3,017	-	3,001	16
CLASS OF 2015	2,181	1,583	1,491	2,273
CLASS OF 2016	1,788	331	304	1,815
CLASS OF 2017	859	1,254	81	2,032
CLASS OF 2018	1,549	1,206	-	2,755
CLASS OF 2019	-	1,360	-	1,360
ELEMENTARY ACT	1,560	432	-	1,992
RBT MONT MEMORIAL	870	-	-	870
RBT MONT MEM INT	465	5	-	470
MUSIC MEMORIAL	2,900	10	-	2,910
MUSIC MEM INTEREST	1,481	122	-	1,603
PIONEER	6,652	3,691	3,867	6,476
MERNE PARSONS	1,050	-	-	1,050
MERNE PARSONS MEM INT	749	1	-	750
ELEM LIB SPEC FUNDS	965	3,585	3,939	611
6TH GRADE CLASS	2,545	767	532	2,780
AP EXAMS	53	846	999	(100)
CHEERLEADERS	384	1,365	965	784
ROBOTICS	3,087	-	-	3,087
DALE ANDERSON MEMORIAL	900	-	61	839
DALE ANDERSON MEM INT	(61)	68	-	7
MS/HS LIB SPEC FUNDS	143	-	-	143
SUBTOTAL	111,369	126,486	143,657	94,198

FORT BENTON SCHOOLS
 SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCES
 EXPENDABLE TRUST - EXTRACURRICULAR FUNDS

June 30, 2014

Page 2 of 2

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
GIRLS BASKETBALL	848	13,850	11,448	3,250
BOYS BASKETBALL	532	310	638	204
BOYS/GIRLS TRACK	1,343	1,588	2,966	(35)
RECYCLING/REIMBURSEMENT	1,377	3,260	2,346	2,291
FOOTBALL	1,781	6,531	6,753	1,559
SPEECH/DRAMA	470	94	-	564
NELSON SPEECH/DRAMA	5,063	-	-	5,063
NELSON SPEECH/DRAMA INT	271	14	300	(15)
SPANISH CLUB	1,229	2,861	167	3,923
LITTLE LONGHORNS	-	360	-	360
JUMP DRIVES	284	188	401	71
MISSOULA CHILDRENS TH	2,690	-	1,250	1,440
AR READING/ELEM	1,597	11,197	7,484	5,310
ELEM/STUDENT COUNCIL	321	-	119	202
MCKEEVER MEMORIAL	775	-	-	775
LITTLE DRIBBLERS	-	750	-	750
SUBTOTAL	<u>129,950</u>	<u>167,489</u>	<u>177,529</u>	<u>119,910</u>
Less: Transfers		7,542	7,542	
TOTAL	<u><u>129,950</u></u>	<u><u>159,947</u></u>	<u><u>169,987</u></u>	<u><u>119,910</u></u>

FORT BENTON SCHOOL DISTRICT NO. 1

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	23	23	0
Grade 1 - 6	124	124	0
Grade 7 - 8	<u>42</u>	<u>42</u>	<u>0</u>
Total	<u>189</u>	<u>189</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>80</u>	<u>80</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	23	23	0
Grade 1 - 6	124	124	0
Grade 7 - 8	<u>42</u>	<u>42</u>	<u>0</u>
Total	<u>189</u>	<u>189</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>79</u>	<u>79</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	23	23	0
Grade 1 - 6	125	125	0
Grade 7 - 8	<u>42</u>	<u>42</u>	<u>0</u>
Total	<u>190</u>	<u>190</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>78</u>	<u>78</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
Fort Benton School District No. 1
Chouteau County
Fort Benton, MT 59442

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Benton School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fort Benton School District No. 1's basic financial statements and have issued our report thereon dated May 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Benton School District No. 1'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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Benton School District No. 1'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
May 22, 2015

FORT BENTON SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year-Ended June 30, 2014

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

FINDING NUMBER 1, 2013 – BUDGETS: – Implemented