

SCHOOL DISTRICT NO. 6
Fromberg, Montana

FINANCIAL AND COMPLIANCE
REPORT

Year ended June 30, 2014

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2014**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of the Fromberg School District's annual financial report presents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2014. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal year, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- ◆ Net position for the District \$ 1,179,184.
- ◆ Total net position decreased by \$ 37,712 or 3%.

USING THESE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 6 as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

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). There is also summarized financial information about the student activity trust fund for which the District acts as a trustee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual fund statements that focus on various parts of the District's operations in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

One important question asked about the District's finances is, "Is the District better or worse off as a result of this year's activities?" The information found in the District-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

The change in Net Position (the difference between total assets and total liabilities) is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. In addition, nonfinancial factors such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, condition of school buildings and other facilities must be considered in making an assessment of the overall health of the District.

District's Net Position as follows:

	2014	2013	Change	%
Current assets	\$631,356	\$697,983	(\$66,627)	(10)%
Capital assets - net	2,102,696	861,124	1,241,572	144%
Total assets	2,734,052	1,559,107	1,174,945	75%
Total liabilities	1,554,868	342,211	1,212,657	354%
Net Position	\$1,179,184	\$1,216,896	(37,712)	(3)%
Net Position consist of:				
Net Investment in Capital Assets	\$843,581	\$861,124	(\$17,543)	(2)%
Restricted Net Position	481,692	523,359	(41,667)	(8)%
Unrestricted Net Position	(146,089)	(167,587)	21,498	(13)%
Net Position	\$1,179,184	\$1,216,896	(\$37,712)	(3)%

District's program revenues were as follows:

Program Revenues:	2014	2013	Change	%
Operating Grants:				
Federal grants:				
Title I	74,442	85,113	(10,671)	(13)%
School Food programs	42,610	42,025	585	1%
State & County Transportation	35,322	16,533	18,789	114%
Special Education - State	16,859	19,217	(2,358)	(12)%
Part B	0	7,500	(7,500)	
Other	15,499	10,765	4,734	44%
Total Operating Grants	184,732	181,153	3,579	2%
User Charges:				
Tuition	6,091	10,136	(4,045)	(40)%
School Food fees	16,723	18,267	(1,544)	(8)%
Operation & Maintenance	8,278		8,278	
Total User Charges	31,092	28,403	2,689	9%
Total Program Revenues	215,824	209,556	6,268	3%

General Revenues:	2014	2013	Change	%
District property taxes	614,749	510,920	103,829	20%
State equalization	512,757	510,251	2,506	0%
Guaranteed tax base	185,214	188,817	(3,603)	(2)%
Other state revenue	127,580	124,393	3,187	3%
County property taxes	146,652	131,826	14,826	11%
Voluntary impact fees	5,258		5,258	
Interest	2,080	6,605	(4,525)	(69)%
Other		8,210	(8,210)	(100)%
Total General Revenue	1,594,290	1,481,022	113,268	8%
Total Revenue	\$1,810,114	\$1,690,578	\$119,536	7%

District's expenses were as follows:

	2014	2013	Change	%
Regular Instruction	\$887,520	\$975,066	(\$87,546)	(9)%
Special Education	42,671	47,905	(5,234)	(11)%
Adult Education	317	40,331	(40,014)	(99)%
Vocational Education	46,917		46,917	
Educational Media	29,618		29,618	
Support Services Student	38,379	68,543	(30,164)	(44)%
General Administration	88,097	88,381	(284)	0%
Building Administration	41,824	35,526	6,298	18%
Business Administration	46,847	45,275	1,572	3%
Operation and Maintenance	227,373	220,388	6,985	3%
Student Transportation	96,167	118,830	(22,663)	(19)%
School Food	95,818	82,126	13,692	17%
Extracurricular	63,070	76,889	(13,819)	(18)%
Interest	39,155		39,155	
Bond Issue Costs	29,607		29,607	
Unallocated Depreciation	68,846		68,846	
Total expenses	1,842,226	1,799,260	42,966	2%
Less Program Revenues	(215,824)	(209,556)	(6,268)	3%
Net expenses	\$1,626,402	\$1,589,704	\$36,698	2%

FUND FINANCIAL STATEMENTS

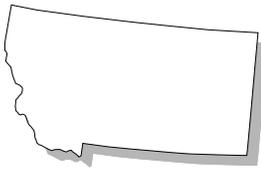
The District maintains individual government funds. These funds are considered major funds: General Fund, Bus Depreciation Fund, Debt Service Fund, and Building Fund. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required 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 governmental fund amounts.

The governmental 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Office of the District Clerk, School District No. 6, Fromberg, Montana 59029, 406/668-7755.



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 6
Fromberg, 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 School District No. 6, Fromberg, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 6'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 of 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 School District No. 6, Fromberg, Montana, as of June 30, 2014, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information on pages 24 and 25, and Schedule of Funding Progress- Other Post Employee Benefits on page 26 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 response 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 6's basic financial statements. The accompanying supplementary information such as the Supplemental Schedule of School District Enrollment (page 27) and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position (page 28) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of School District Enrollment and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position are required by the State of Montana. The schedules 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, 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 Supplemental Schedule of School District Enrollment and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited School District No. 6's June 30, 2013 financial statements, and we expressed an unmodified opinion on in our report dated December 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2015 on our consideration of School District No. 6'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 the 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 School District No. 6's internal control over financial reporting and compliance.

June 25, 2015



Ross R. Stalcup
Certified Public Accountant

SCHOOL DISTRICT NO. 6
Fromberg, Montana
STATEMENT OF NET POSITION
JUNE 30, 2014

	2014	2013
ASSETS		
Current Assets		
Cash and Investments.	\$596,600	\$659,868
Property Taxes Receivable.	12,213	14,836
Protested Taxes Receivable.. . . .	22,543	18,779
Due from Other Governments.		4,500
Total Current Assets.. . . .	<u>631,356</u>	<u>697,983</u>
Capital Assets.	3,090,956	1,780,538
Less Accumulated Depreciation.. . . .	(988,260)	(919,414)
Capital Assets - Net.	<u>2,102,696</u>	<u>861,124</u>
Total Assets.	<u>2,734,052</u>	<u>1,559,107</u>
Deferred Outflows of Resources.	0	0
Total Assets and Deferred Outflows of Resources.	<u><u>2,734,052</u></u>	<u><u>1,559,107</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable.. . . .	140	242
Due to Other Governments.	4,500	
Compensated Absences.	53,197	55,265
Retirement Incentive.	22,650	19,200
Total Current Liabilities.. . . .	<u>80,487</u>	<u>74,707</u>
Non Current Liabilities		
OPEB Liability.	63,570	76,273
Compensated Absences.	106,395	110,531
Retirement Incentive.	45,301	80,700
Bonds Payable.	1,259,115	
Total Non Current Liabilities	<u>1,474,381</u>	<u>267,504</u>
Total Liabilities.	<u>1,554,868</u>	<u>342,211</u>
Deferred Inflows of Resources.. . . .	0	0
Total Liabilities and Deferred Inflows of Resources.	<u>1,554,868</u>	<u>342,211</u>
Total Net Position.. . . .	<u><u>1,179,184</u></u>	<u><u>1,216,896</u></u>
NET POSITION		
Restricted Net Position		
Bus Replacement.	214,425	220,721
Instruction.	66,090	119,226
Debt Service.	3,997	
Retirement.. . . .	63,440	116,140
Capital Outlay.	35,012	
Other.	98,728	67,272
Total Restricted Net Position.	481,692	523,359
Net Investment in Capital Assets.	843,581	861,124
Unrestricted Net Position.	<u>(146,089)</u>	<u>(167,587)</u>
Total Net Position.. . . .	<u><u>\$1,179,184</u></u>	<u><u>\$1,216,896</u></u>

See Notes to Financial Statements

SCHOOL DISTRICT NO. 6
Fromberg, Montana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	---Program Charges for Services	Revenue--- Operating Grants	Net (Expense) Revenue 2014	2013
GOVERNMENT OPERATIONS					
Instruction:					
Regular Instruction.....	\$887,520	\$6,091	\$87,042	(\$794,387)	(\$869,052)
Special Education.....	42,671		16,859	(25,812)	(21,188)
Adult Education.....	317			(317)	(40,331)
Vocational Education.....	46,917		2,889	(44,028)	
Educational Media.....	29,618			(29,618)	0
Support Services - Students...	38,379			(38,379)	(68,543)
Administration:					
General.....	88,097			(88,097)	(88,381)
Building.....	41,824			(41,824)	(35,526)
Business.....	46,847			(46,847)	(45,275)
Operation and Maintenance...	227,373	8,278		(219,095)	(220,388)
Transportation.....	96,167		35,332	(60,835)	(102,297)
Food Services.....	95,818	16,723	42,610	(36,485)	(21,834)
Student Extracurricular.....	63,070			(63,070)	(76,889)
Interest.....	39,155			(39,155)	
Bond Issue Costs.....	29,607			(29,607)	
Unallocated Depreciation.....	68,846			(68,846)	
Totals.....	<u>\$1,842,226</u>	<u>\$31,092</u>	<u>\$184,732</u>	<u>(\$1,626,402)</u>	<u>(\$1,589,704)</u>
GENERAL REVENUES					
District Property Taxes.....				\$614,749	\$510,920
State Equalization.....				512,757	510,251
Guaranteed Tax Base.....				185,214	188,817
Other State Revenue.....				127,580	124,393
County Sources.....				146,652	131,826
Voluntary Impact Fees.....				5,258	
Interest, amortization.....				2,080	6,605
Other.....					8,210
Total General Revenues...				<u>\$1,594,290</u>	<u>\$1,481,022</u>
CHANGE IN NET POSITION..				(32,112)	(108,682)
NET POSITION					
Beginning of Year.....				1,216,896	1,325,578
Prior Period Adjustment.....				(5,600)	
Beginning of Year- restated..				<u>1,211,296</u>	<u>1,325,578</u>
End of the Year.....				<u>\$1,179,184</u>	<u>\$1,216,896</u>

See Notes to Financial Statements

SCHOOL DISTRICT NO. 6
Fromberg, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	MAJOR FUNDS			NON MAJOR FUNDS		
	General Fund	Bus Depreciation Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
ASSETS:						
Cash and Investments.	\$120,901	\$213,127	\$901	\$2,786	\$258,885	\$596,600
Property Taxes Receivable.	9,299		823		2,091	12,213
Protested Taxes.	18,150		2,273		2,120	22,543
Due from Other Governments.						0
Total Assets.	148,350	213,127	3,997	2,786	263,096	631,356
Deferred Outflows of Resources.	0	0	0	0	0	0
Total Assets and Deferred Outflows of Resources.	148,350	213,127	3,997	2,786	263,096	631,356
LIABILITIES:						
Accounts Payable.	129				11	140
Due to Other Governments.					4,500	4,500
Total Liabilities.	129	0	0	0	4,511	4,640
Deferred Inflows of Resources.	27,449		3,096		4,211	34,756
Total Liabilities and Deferred Inflows of Resources.	27,578	0	3,096	0	8,722	39,396
FUND BALANCE:						
Restricted.		213,127	901	23,786	236,571	474,385
Committed.						0
Assigned.					596	596
Unassigned.	120,772				(3,793)	116,979
Total Fund Balance.	120,772	213,127	901	23,786	233,374	591,960
Total Liabilities and Deferred Inflows and Fund Balance.	\$148,350	\$213,127	\$3,997	\$23,786	\$242,096	\$631,356
RECONCILIATION TO THE STATEMENT OF NET POSITION						
Total fund balance from above.						\$591,960
Net capital assets.						2,102,696
Less liabilities not reported above:						
Compensated absences.						(159,592)
Deferred inflows.						34,756
Bonds payable.						(1,230,000)
Bond premium.						(29,116)
OPEB liability.						(63,570)
Retirement incentive.						(67,951)
Rounding.						1
Net Position.						\$1,179,184

See Notes to Financial Statements

SCHOOL DISTRICT NO. 6
Fromberg, Montana
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	MAJOR FUNDS			NON MAJOR FUNDS		Total
	General Fund	Bus Depreciation Fund	Debt Service Fund	Building Fund	Other Governmental Funds	
REVENUES:						
District Levy.....	\$416,234		\$103,570		\$93,804	\$613,608
Direct State Aid.....	705,677		9,153			714,830
Other State Sources.....	104,207			7,800	36,836	148,843
County Sources.....					165,284	165,284
Federal Sources.....					127,978	127,978
User Fees.....					26,576	26,576
Interest.....	1,631	1,122	162	890	1,453	5,258
User Fees.....	4,516					4,516
Total Revenues.....	1,232,265	1,122	112,885	8,690	451,931	1,806,893
EXPENDITURES:						
Current Operations:						
Instruction:						
Regular Programs.....	675,434				262,942	938,376
Special Programs.....	30,706				11,965	42,671
Vocational Programs.....	41,130				5,787	46,917
Adult Education.....					317	317
Educational Media.....	29,618					29,618
Support Services Students.....	30,330				8,049	38,379
Administration						
General.....	79,049				9,048	88,097
Building.....	36,839				4,985	41,824
Business.....	43,205				3,642	46,847
Operation and Maintenance.....	205,460				21,913	227,373
Transportation.....		7,288			88,879	96,167
Food Services.....	23,993				71,825	95,818
Student Extracurricular.....	56,989				6,081	63,070
Capital Outlay.....				1,289,418	21,000	1,310,418
Bond Issuance Costs.....				29,607		29,607
Debt Service.....			111,984			111,984
Total Expenditures.....	1,252,753	7,288	111,984	1,319,025	516,433	3,207,483
Other Financing Sources (Uses) & Transfers						
Proceeds Long Term Debt				1,334,024		1,334,024
In					42,538	42,538
Out	(5,038)				(37,500)	(42,538)
Total Other Sources (Uses) & Transfers	(5,038)	0	0	1,334,024	5,038	1,334,024
Excess (Deficiency) of Revenues Over Expenditures And Other Financing.....	(25,526)	(6,166)	901	23,689	(59,464)	(66,566)
FUND BALANCE						
Beginning of the Year.....	146,298	219,293	0	97	298,438	664,126
Prior Period Adjustment.....					(5,600)	(5,600)
Beginning of the Year - restated	146,298	219,293	0	97	292,838	658,526
End of the Year.....	\$120,772	\$213,127	\$901	\$23,786	\$233,374	\$591,960

See Notes to Financial Statements

SCHOOL DISTRICT NO. 6
Fromberg, Montana

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

Change in Fund Balances.	(\$66,566)
Change in Property Taxes Receivable not included in the Governmental Fund Statements.	1,141
Amounts Reported as Expenditures in the Governmental Fund Statements	
Change in Compensated Absences.	6,204
Decrease in Retirement Incentive.	31,949
Capital Outlay.	1,310,418
Expenses and Other Financing Sources not reported on the Statement of Activities not included in the Governmental Fund Statements	
Bond Issuance.	(1,334,024)
OPEB.	12,703
Depreciation.	(68,846)
Bond Principal.	72,829
Amortization of Premium.	2,080
Prior Period Adjustment.	(5,600)
Change in Net Position.	<u>(\$37,712)</u>

See Notes to Financial Statements

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash.	<u>\$35,097</u>
NET POSITION	
Held in Trust.	<u>35,097</u>
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers.	60,625
Expenditures & Transfers.	(57,107)
NET POSITION	
BEGINNING.	<u>31,579</u>
ENDING.	<u>\$35,097</u>

See Notes to Financial Statements

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

A. Reporting Entity

All operations of School District No. 6, Fromberg, Montana are controlled by a Board of Trustees, elected in School-wide elections, and responsible for all of the School's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of Net Position and the statement of activities show information about the overall financial position and activities of the District with the exception of the student activity fund.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met. Adjustments have been made to eliminate the double recording of internal activities.

The Statement of Activities present 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. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Fund Financial Statements - These statements provide information about the District's funds, including a separate statement for the District's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue.

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred revenues are recorded for these receivables. Property tax levies for the subsequent fiscal year are recorded as property tax receivables because they become a lien on real property as of January 1. Because these taxes are levied for the subsequent fiscal year, they are offset by deferred revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. General capital asset acquisitions under capital leases are reported as other financial sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds.

Accordingly, the District reports the following major governmental funds:

General fund

This fund 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.

Bus Depreciation

This fund accounts for revenues from a District levy on taxable property to build a reserve for replacing school buses or radios used in the transportation program.

Debt Service Fund

This fund is to account for revenues and expenditures relating to payment of District bonds.

Building Fund

This fund was established under the provision of the Montana Code (MCA 20-9-508).

The District also has a student activity fund accounting for the extracurricular activities of its students. This fund is a private-purpose trust fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Investments

State law permits investment of District funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program. Except for the private purpose trust fund, all cash and investments are held by the County Treasurer. Investments are stated at cost.

D. Inventories

Inventories are considered to be immaterial and are not recorded.

E. Property Taxes

Property taxes receivable at June 30 consist primarily of delinquent and protested property taxes from the current and prior year levies. Property taxes receivable are offset by deferred revenue in the fund financial statements. Approximately 95% of protested taxes are collected. The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

F. Capital Assets

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements. 20-80 years

Equipment. 6- 20 years

G. Compensated Absences

Vacation leave, within certain limitations, may be payable to administrative and classified (non-teaching) employees on termination. Sick leave is accumulated for classified employees at the rate of 12 working days for each year of service. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount on termination.

Upon termination, certified employees (teachers) are paid pursuant to the master agreement.

**H. Fund Equity
See Note 8.**

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

An example is depreciation.

J. Deferred Inflow/Outflow of Resources

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

Notes to Financial Statements (continued)

2. CASH AND INVESTMENTS

District cash and investments are held by the Carbon County Treasurer and invested at the direction of the District.

Student activity funds are deposited in FDIC insured, interest bearing, checking accounts.

The District does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments. Investment risk disclosures are described in the following paragraphs:

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The STIP securities have credit risk as measured by major credit rating services. This risk is that the issuer of a security may default in making timely principal and interest payments.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

Capital asset activity during 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of assets:				
Land	11,393			11,393
Buildings and Improvements	1,337,116	1,310,418		2,647,534
Equipment	432,029			432,029
Total	<u>1,780,538</u>	<u>1,310,418</u>	<u>0</u>	<u>3,090,956</u>
Accumulated depreciation:				
Buildings and Improvements	(585,904)		(31,862)	(617,766)
Equipment	(333,510)		(36,984)	(370,494)
Total	<u>(919,414)</u>	<u>0</u>	<u>(68,846)</u>	<u>(988,260)</u>
Capital Assets, Net	<u>\$861,124</u>	<u>\$1,310,418</u>	<u>(\$68,846)</u>	<u>\$2,102,696</u>

Depreciation was not allocated.

Notes to Financial Statements (continued)

4. RETIREMENT PLANS

The District participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan member and beneficiaries.

Contribution rates for both plans are required and determined by State law. The state of Montana makes on behalf payments for the District. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>State</u>	<u>Total</u>
TRS	8.47%	8.15%	2.11%	18.73%
PERS	7.80%	7.90%	0.37%	16.07%

The State on behalf payment is considered immaterial and has not been included in the financial statements.

The amounts contributed to TRS and PERS during the years ended June 30, 2011, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
TRS	\$103,557	\$102,126	\$140,272	\$147,320
PERS	28,954	25,536	20,530	21,232
Total	<u>\$132,511</u>	<u>\$127,662</u>	<u>\$160,802</u>	<u>\$168,552</u>

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

MT Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, Montana 59620-0139
Telephone (406) 444-3134

MT Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, Montana 59620-0131
Telephone (406) 444-3154

Notes to Financial Statements (continued)

5. LONG TERM DEBT

	June 30 2013	Payment	Additions	June 30 2014	Current
Retirement Incentive	\$99,900	(\$31,949)		\$67,951	\$22,650
Compensated Absences	165,796	(6,204)		159,592	53,197
	265,696	(38,153)	0	227,543	\$75,847
OPEB Liability	76,273	(12,703)		63,570	N/A
General Obligation Bonds					
2014 General Obligation		(72,829)	1,302,829	1,230,000	\$70,000
Premium 2014 Bonds		(2,080)	31,196	29,116	\$2,080
Total	341,969	(125,765)	1,334,025	1,550,229	\$147,927

Amortization 2014 Bonds Issue Amount \$ 1,302,829 , 2% - 4.375% interest

	Interest	Principal
2015	70,000	119,518
2016	75,000	118,818
2017	75,000	117,318
2018	75,000	115,339
2019	80,000	117,818
Subsequent	855,000	1,043,276
	1,230,000	1,632,087

6. RISK MANAGEMENT

The District faces a number of risks including:

- a) loss or damage to property
- b) general liability
- c) workers compensation
- d) employee medical insurance

Commercial insurance policies are purchased for loss or damage to property, general liability, and health insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP), for workers compensation coverage. Approximately 200 schools participate in WCRRP. All school participants in this pool are jointly and severally liable for the liabilities of this public risk pool.

The pool issues audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at:

WCRRP
1 South Montana Avenue
Helena, Montana 59601

Notes to Financial Statements (continued)

7. OTHER POST EMPLOYMENT BENEFITS

Plan Description

Montana Law (MCA 2-18-704) allows retirees meeting certain requirements to continue to participate in the District's health insurance to the extent that the retirees are allowed to purchase health insurance through the District.

Per GASB Statement No. 45 this gives rise to an implicit rate subsidy and an actuarially accrued liability although, under current law, the District will not be required to fund the liability or otherwise incur a cash cost.

Funding Policy

The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The government's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 changes in the government's net OPEB obligation to the plan:

Annual required contribution	\$0
Interest on net OPEB obligation	0
Adjustment for annual required contribution	(12,703)
Annual OPEB cost (expense)	<u>(12,703)</u>
Contributions made	0
Increase in net OPEB obligation	(12,703)
Net OPEB obligation - beginning of year	<u>76,273</u>
Net OPEB obligation - end of year	<u><u>\$63,570</u></u>

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the three preceding years are as follows:

Year ending June 30	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2010	\$27,665	0%	\$27,665
2011	\$28,850	0%	\$56,515
2012	\$28,850	0%	\$85,365
2013	(\$9,092)	0%	\$76,273
2014	(\$12,703)	0%	\$63,570

Funded Status and Funding Progress

As of July 1, 2014, the Plan was 0% funded. The actuarial accrued liability for benefits was \$ 63,570 and the actuarial value of assets is \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$ 63,570.

Notes to Financial Statements (continued)

7. OTHER POST EMPLOYMENT BENEFITS (continued)

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as supplementary information following the notes to the financial statements. A schedule details whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits available.

8. FUND BALANCE/NET POSITION DISCLOSURES

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications in the fund statements:

Non-spendable

Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Example- inventories.

Restricted

Includes fund balances that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

Committed

Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. An example is a resolution by the Board.

Assigned

Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District Clerk has been designated to assign fund balance.

Unassigned

Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

Notes to Financial Statements (continued)

8. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Additionally the statement addresses fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose.

Fromberg School District has a general policy that fund balance is restricted for the statutory purpose of a fund, or in the case of the Miscellaneous Fund to the purpose of the individual grants.

The general policy also applies to fund classification.

Additionally the District has a general policy that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Fund Balance Classification is as follows:

	MAJOR FUNDS		NON-MAJOR			Total
	General Fund	Bus Depreciation Fund	Debt Service Fund	Building Fund	Other Government Funds	
Restricted:						
Instruction					66,090	66,090
Adult Education					12,651	12,651
Tuition					19,349	19,349
Technology					6,734	6,734
Operation & Maintenance					16,400	16,400
Bus Replacement		213,127				213,127
Transportation					12,494	12,494
Retirement					63,440	63,440
Capital Outlay				23,786	34,173	57,959
Debt Service			901			901
Compensated Absences					5,240	5,240
	0	213,127	901	23,786	236,571	474,385
Assigned:						
Instruction					596	596
	0	0	0	0	596	596
Unassigned:	120,772				(3,793)	
	120,772	0	0	0	(3,793)	116,979
Total Fund Balance	120,772	213,127	901	23,786	233,374	591,960

Note- Retirement Fund balance is restricted for the purpose of the fund. An allocation by function can not be done in a meaningful manner.

Notes to Financial Statements (continued)

8. FUND BALANCE/NET POSITION DISCLOSURES (continued)

In the government wide statements fund equity is classified as net position and displayed in three components:

Invested in Capital Assets, Net of Related Debt. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.

Restricted Net Position. Further classified as expendable and non-expendable, generally the Net Position resulting from property taxes levied for a statutory purpose.

Unrestricted Net Position. All other assets.

Net Position Classifications:

Restricted

Non expendable	\$0
Expendable	481,692

Invested in Capital Assets 843,581

Unrestricted (146,089)

\$1,179,184

A reconciliation of Fund Balance by classification to Net Position by classification follows:

	Capital Assets	Non Capital Liabilities	Capital Debt	Deferred Inflow	Adjustments	Net Position
Fund Balances						
Restricted	474,385			7,307		481,692
Invest Capital Assets	2,102,696		(1,259,115)			843,581
Assigned	596				(596)	0
Unrestricted		(291,113)			145,024	(146,089)
Unassigned	116,979			27,449	(144,428)	0
Total	\$591,960	\$2,102,696	(\$291,113)	(\$1,259,115)	\$34,756	\$0
					\$0	\$1,179,184

Notes to Financial Statements (continued)

9. TRANSFERS

\$ 37,500 was transferred from the Transportation Fund to the Building Reserve Fund, as a safety transfer.

10. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of -\$5,600 was made to correct the misstatement made in the Trustees Financial Report.

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	\$420,814	\$420,814	\$416,234
Direct State Aid	697,579	705,876	705,677
Other State Sources	103,907	103,907	104,207
County Sources			
Federal Sources			
User Fees	4,048	4,048	4,516
Interest	3,376	3,376	1,631
Other			
Total Revenues	1,229,724	1,238,021	1,232,265
Total Expenditures	1,249,692	1,257,989	1,252,753
Other Financing Sources (Uses)			
Transfers:			
In			
Out			(5,038)
Total Other Financing Sources (Uses)	0	0	(5,038)
Excess of Revenues over Expenditures	(19,968)	(19,968)	(25,526)
Net Change in Fund Balance			(25,526)
Fund Balance Beginning			146,298
Fund Balance Ending			\$120,772

See note to required supplemental information.

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014**

Budgets:

Budgets are adopted by funds defined as budgeted funds as defined in state law (MCA 20-9-201).

The budgets must be adopted on or before August 15th of each year, but may be continued day to day until the 4th Monday in August. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control. Encumbrances do not represent expenditures for the period for generally accepted accounting principles. None were included in the financial statements.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There was one amendment made to the budgets in 2014, the amounts shown above are the original, amended, and final budgeted amounts.

**SCHOOL DISTRICT NO. 6
Fromberg, Montana**

**SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UALL)
	(a)	Entry Age (b)	(b-a)
6/30/2014	-	\$63,570	\$63,570
6/30/2013	-	\$76,273	\$76,273
6/30/2012	-	\$ 217,836	\$217,836
6/30/2011	-	\$ 217,836	\$217,836
6/30/2010	-	\$ 208,955	\$208,955

This schedule is based on the actuarial values as of July 1, 2009. Information for prior years is not available.

**FROMBERG PUBLIC SCHOOLS
DISTRICT NO. 6, CARBON COUNTY
Fromberg, Montana**

SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

Year Ended June 30, 2014

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	11	11	11	11	11	11
Grades 1 - 6	46	46	45	45	47	47
Grades 7 - 8	16	16	16	16	16	16
Total	<u>73</u>	<u>73</u>	<u>72</u>	<u>72</u>	<u>74</u>	<u>74</u>
Grades 9 - 12	43	43	43	43	42	42
Total	<u>116</u>	<u>116</u>	<u>115</u>	<u>115</u>	<u>116</u>	<u>116</u>

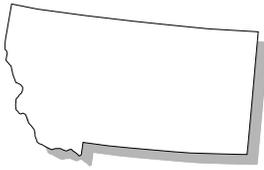
**FROMBERG PUBLIC SCHOOLS
DISTRICT NO. 6, CARBON COUNTY
Fromberg, Montana**

EXTRACURRICULAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN Net Position
BY STUDENT ACTIVITY**

for the Year Ended June 30, 2014

Student Activity	Balance June 30, 2013	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2014
Academic Olympics	\$132				\$132
Annual	583	741	430		894
Athletics	2,643	11,873	10,719	1,775	5,572
Band	699	1,789	2,481	218	225
Band Instrument Repair	6	1,168	1,053		121
Cheerleaders	0				0
Class of 2014	3,677	5,129	9,145	1,091	752
Class of 2015	859	509	1,892	2,603	2,079
Class of 2016	3,571	1,745	161		5,155
Class of 2017	1,664	457	407		1,714
Class of 2018	521	218	58		681
Class of 2019		90	10		80
Concessions	82	13,499	7,665	(5,807)	109
Drama Club	3,618				3,618
Elementary Box Tops	234	202	16		420
Elementary Pop Fund	67	250	233		84
FFA	6,763	19,563	18,969	120	7,477
Foreign Language	131		59		72
HS Student Council	581	233	369		445
Honor Society	196				196
JMG	991	782	934		839
JrHigh Student Council	0				0
Library	648		210		438
Pep Club	356				356
Playground	1,168	2,377	2,261		1,284
Resource Room	330				330
Service Learning	653		35		618
Student Projects	48				48
TADV	403				403
Varsity Letter Club	955				955
Total Extracurricular	\$31,579	\$60,625	\$57,107	\$0	\$35,097



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

**INDEPENDENT AUDITORS 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
School District No. 6
Fromberg, Montana

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 6, Fromberg, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 6's basic financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District No. 6'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 School District No. 6's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 6's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Summary of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Summary of Findings and Questioned Costs to be material weaknesses (Finding No. 2014-01) and significant deficiencies (Findings No. 2014-02 and 2014-03).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District No. 6's financial statements are free from 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* in the accompanying Summary of Findings and Questioned Costs.

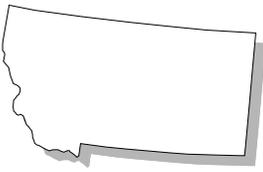
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

June 25, 2015



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.
INDEPENDENT AUDITORS SUMMARY
OF FINDINGS AND QUESTIONED COSTS

Board of Trustees
School District No. 6
Fromberg, Montana

The following is a Schedule of Findings and Questioned Costs which arose during the audit of year ended June 30, 2014.

Current Year
INTERNAL CONTROL FINDINGS

Material Weakness
2014-01 Segregation of Duties

- Criteria: Segregation of duties is essential for internal control.
- Condition: The District does not have ideal segregation of duties.
- Context: The District has one employee assigned to the accounting function.
- Effect: Internal control is not optimal.
- Cause: The small staff of the District does not allow for ideal segregation of duties.
- Recommendation: We recommend the Board direct the Superintendent to take an active role so that compensating controls exist and that the Board monitor the District's activities.

Significant Deficiency
2014-02 Journal Entries

- Criteria: Journal entries, which are a normal part of maintaining a general ledger, need to have a purpose and be documented.
- Condition: Several journal entries were made in June 2014 and are not documented.
- Context: Accurate financial reporting.
- Effect: Transfers between funds were improperly recorded, project reports not used correctly and generally several funds had to be corrected during the audit.
- Cause: Unknown
- Recommendation: Document completely all journal entries.

Current Year - Continued
INTERNAL CONTROL FINDINGS -Continued

Significant Deficiency
2014-03 Reconciliations

- Criteria: The Administrative Rules of Montana (10.10.501) require school districts to reconcile monthly with the County Treasurer.
- Condition: The District did reconcile monthly, but in June 2014 did not post reconciling items to the accounting records.
- Context: Accurate financial reporting.
- Effect: The District Trustees Financial Summary was misstated by the amount of the debt service payments because they were not booked.
- Cause: Employee turnover, possible oversight.
- Recommendation: The debt service payments were new at the time. We recommend that they be posted.
The District has corrected this.
- Note: The District continues to have problems with the reconciliation process. It appears to be a result of communication issues regarding warrants payable.
Total cash continues to agree, cash by fund does not.

Status of Prior Year Findings

13-01 <u>Internal Control over Financial Reporting</u>	No longer considered a finding
13-02 <u>Segregation of Duties</u>	See 2014-01

June 25, 2015



Ross R. Stalcup
Certified Public Accountant