

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

**RICHLAND COUNTY
FAIRVIEW, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Fairview School District No. 13 & 3
 Richland County
 Fairview, Montana 59221

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
INDEPENDENT AUDITOR'S REPORT	7-8
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	11 - 12
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	13 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	16
Notes to the Financial Statements	17 - 26
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	27
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – All Budgeted Major Funds	28 - 30
Notes to the Budget and Actual Schedule	31 - 32
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds	33
Schedule of Reported Enrollment	34
INDEPENDENT AUDITOR'S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	35 - 36
SCHEDULE OF FINDINGS AND RESPONSES	37

Fairview School District No. 13 & 3
Richland County
Fairview, Montana 59221

ORGANIZATION

BOARD OF TRUSTEES

Randy Skov	Chair
Brad Tveit	Vice Chair
Ron Kopp	Trustee
Marion Kittleson	Trustee
Terri Sundheim	Trustee

OFFICIALS

Matt Schriver	Superintendent
Jacklyn Young	District Clerk
Gail Staffenson	County Superintendent
Mike Weber	County Attorney

**Fairview School Districts 3 and 13
Management Discussion and Analysis (MD&A)
For the Year Ended June 30, 2014**

The Superintendent and Business Manager/Clerk of the Fairview School Districts have provided the MD&A to give the reader an overview of the financial position and activities of the Fairview School Districts for the fiscal year ended June 30, 2014. Please read it along with the Districts' financial statements which give more details of the fiscal health of the school.

FINANCIAL HIGHLIGHTS

From 2013 to 2014 a number of factors have contributed to the budget and revenue picture. The taxable valuation of the elementary district increased from \$4,361,359 to \$5,720,804. This is a net increase of \$1,359,445 in 2014. Overall, this is a 31% increase from FY13. In the high school district the taxable valuation also increased from \$5,000,275 to \$6,500,551 for a net increase of \$1,500,276 in 2014. This is a 30% increase from FY13. The enrollment increased by three students in the elementary (182) and in the high school decreased by five students (104). Fairview School's enrollment has been fluctuating rapidly in the last ten years due to the Bakken Oil Fields and families coming and going from the area. Although, this has been the largest change in the elementary enrollment in the last ten years with 64 new students. The high school has had minor changes from the high of 120 in 2007.

Numerous factors contributed to the changes of revenue from mill levies and state revenue over the past year. The oil revenues increased in the elementary and high school districts by 8% from the prior year. The elementary general fund budget raised \$1,186,957.65 to \$1,244,175.09. The elementary mills increased from 18.42 to 21.87. In the high school, the budget had a slight increase of \$1,091,213.66 for a budget of \$1,104,869.53, with the mills increasing from 5.86 to 7.82. These mill changes are due to the taxable valuation increases. Oil revenue was used to cover a higher portion of the mill levy cost.

The Districts' total assets for 2014 are \$12,619,075. The change in net assets from 2013 to 2014 was \$2,255,752. The total revenues had a slight change from \$5,289,617 in 2013 to \$5,744,455 in 2014 for a 1.09 % increase. The expenditures increased from \$3,952,530 to \$4,571,557 for a 1.16% change.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Districts.

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the Districts' overall financial status. The other statements are *fund financial statements* that focus on individual parts of the Districts, reporting the Districts' operations in more detail than the Government-wide financial statements.

Government-wide financial statements report information using full accrual accounting methods, which are the methods used by most private-sector companies. It includes *all* of the Districts' assets and liabilities, and all of the Districts' revenues and expenses, regardless of when cash is received or paid out. It also includes depreciation on capital assets.

Governmental fund financial statements present a short-term view of the Districts' activities (they only include current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the Districts' general fund and the other governmental funds.

The financial statements also include footnotes that explain in more detail some of the information included in the body of the financial statements. This is followed by required supplementary information, such as budget to actual information for the General Fund and any major special revenue funds with legally adopted budgets. The other supplementary information includes enrollment and extracurricular information and is not a part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Information in the government-wide financial statements helps to determine whether the Districts are better or worse off as a result of the year's activities. The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the Districts' financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the Districts' health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the Districts' tax base, etc. to assess the overall health of the Districts.

FINANCIAL ANALYSIS OF THE DISTRICTS AS A WHOLE

Strom and Associates, Billings, MT has been retained by Fairview School to complete the 2013-2014 audit. This is the sixth year Paul Strom has been contracted.

Net Assets & Liabilities – The Districts’ net assets at the end of the year were \$12,619,075. A breakdown of the Districts’ net assets follows:

	2013	2014
Current Assets	\$5,145,429	\$3,450,276
Non- current Assets	<u>\$5,369,815</u>	<u>\$9,168,799</u>
Total Assets	\$10,515,244	\$12,619,075
Current Liabilities	\$10,622	\$86,658
Non-current Liabilities	<u>\$14,299</u>	<u>\$380,198</u>
Total Liabilities	\$151,921	\$466,856
Net Assets Consist Of:		
Invested in Capital Assets		
Net investment in capital assets	\$5,369,815	\$8,822,113
Restricted	\$3,061,283	\$2,379,845
Unrestricted	<u>\$1,932,225</u>	<u>\$950,261</u>
Total Net Assets	<u>\$10,363,323</u>	<u>\$12,619,075</u>

ANALYSIS OF OVERALL FINANCIAL CONDITION OF THE BUDGET OVER THE YEAR.

Fairview School budget improved its net assets from FY13 and FY14. The school board reappropriated \$6,910.32 in the elementary and \$0.00 in the high school general funds for the 2014-2015 school year. At the end of the FY14, the remaining general fund budget was spent on supplies and other expenses as it has been in the past. The focus of this spending is on one time supply purchases that will not impact future budgets.

Restricted net assets are the net assets of the transportation, bus depreciation, school food, retirement, adult education, traffic education, lease-rental, technology, debt service, and building reserve funds. State law establishes the criteria for the property tax levies on these funds for specific purposes, and therefore the net assets of those funds are considered restricted, as they cannot be used for the general funding of Districts expenses.

REVENUES	<u>2013</u>	<u>2014</u>
District Property Taxes	312,705	498,373
State Equalization	652,332	929,213
Oil & Gas	2,768,547	3,461,956
Other State Revenues	421,249	149,579
County	217,811	260,242
Investment Earnings	30,672	19,095
Other Revenues	14,521	434,793
Gain on Assets	<u> </u>	<u>(8,796)</u>
Total Revenues	4,692,394	5,744,455

EXPENDITURES	2013	2014
Instruction	2,065,723	2,328,346
Support	81,724	96,798
Media	70,645	69,764
Administration	420,943	473,290
O&M	544,217	559,978
Transportation	407,583	401,877
Extra Curricular	154,212	189,499
School Foods	168,149	180,320
Depreciation- unallocated	<u>39,313</u>	<u>271,685</u>
Total Expenditures	3,952,530	4,571,557

The Districts' revenues exceeded expenditures by 26%. Oil and Gas and Other State Revenues were the largest increase contributing to this factor.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund financial statements provide detailed information about the most significant of the Districts' funds; the Districts are required to provide detailed information for its "major" funds.

Major funds are defined as the general fund and any other fund where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts.

The Financial condition of the Fairview School District is stable. Oil production and the increased revenue from it; have offset the need for more mills from the taxpayers. The districts employees, students and taxpayers have reaped the benefits of what oil there has been.

The governmental funds provide a short-term view of the Districts' 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 AND DEBT ADMINISTRATION

The changes in capital assets in FY14 were finishing the upgrade of the elementary boilers. The entire schools heating system and boilers have been converted to computerized thermostats. These steps have all been taken to increase the energy efficiency of the buildings.

The high school hallway project was tackled during the summer of 2014. With this upgrade, the classrooms in the high school and hallway were upgraded. Fairview School has new cabinetry, flooring, doors, upgraded electricity and freshly painted walls throughout the entire school.

Fall of 2013, Fairview School replaced the windows of the 4plex, shingled the school, replaced the gym lights with energy efficient L.E.D. lighting, and upgraded the security cameras.

September 2013, two staff members moved into a new duplex constructed next door to the 4 plex apartment.

Spring of 2014 a piece of property was purchased beside the track field. This property will have duplex apartments constructed during the summer of 2015.

BUDGETARY HIGHLIGHTS

The Districts were able to reappropriate \$4,397,760 to the taxpayers in July 2013 in total funds. This trend decreased slightly in the current fiscal year with the Districts reappropriating \$2,453,214 in July 2014. The elementary general fund had \$6,910 reappropriated dollars however the high school did not.

FACTORS BEARING ON THE DISTRICTS' FUTURE.

The taxable valuation of the two districts increased \$2,859,721. This factored from the value placed on land due to the oil production and the legislative changes brought about in 2011 and 2013. Oil prices had stabilized but production was fluctuated drastically. Six months ago, oil prices plummeted and drilling halted in the state. This along with any legislative funding changes will substantially affect revenues in the upcoming year.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact the Superintendent's Office at the Fairview School District, 713 S. Western Ave., Fairview, MT 59221, 406-742-5265.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fairview School District No. 13 & 3
Richland County
Fairview, Montana 59221

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 Fairview School District No. 13 & 3 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview School District No. 13 & 3 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 3-8) and the schedule of funding for other post-employment benefits other than pensions (page 27) and budgetary comparison information (pages 28-32) 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 Fairview School District No. 13 & 3's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 33) and schedule of reported enrollment (page 34) 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 5, 2015 on our consideration of Fairview School District No. 13 & 3 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 Fairview School District No. 13 & 3 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
May 5, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 3,427,982
Taxes Receivable	<u>22,294</u>
Total Current Assets	<u>3,450,276</u>
Noncurrent Assets:	
Capital Assets:	
Land	183,309
Construction in Progress	1,172,939
Net Depreciable Assets	<u>7,812,551</u>
Total Noncurrent Assets	<u>9,168,799</u>
Total Assets	<u>\$ 12,619,075</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	\$ 3,934
Current Portion Long-Term Capital Obligations	<u>82,724</u>
Total Current Liabilities	<u>86,658</u>
Noncurrent Liabilities:	
Long-Term Obligations	36,055
Compensated Absences	80,181
Long-Term Capital Obligations	<u>263,962</u>
Total Noncurrent Liabilities	<u>380,198</u>
Total Liabilities	<u>466,856</u>
NET POSITION:	
Net investment in capital assets	8,822,113
Restricted	2,379,845
Unrestricted (Deficit)	<u>950,261</u>
Total Net Position	<u>12,152,219</u>
Total Liabilities and Net Position	<u>\$ 12,619,075</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
GOVERNMENT OPERATIONS				
Instructional Services	\$ 2,328,346	\$ 185,271	\$ 277,317	\$ (1,865,758)
Support Services	96,798	-	-	(96,798)
Educational Media Services	69,764	-	-	(69,764)
General Administrative Services	473,290	-	-	(473,290)
Operation & Maintenance Services	559,978	28,200	-	(531,778)
Transportation Services	401,877	-	59,398	(342,479)
School Food Services	180,320	48,255	41,348	(90,717)
Extracurricular	189,499	-	-	(189,499)
Unallocated Depreciation Expense *	271,685	-	-	(271,685)
Total Governmental Activities	<u>4,571,557</u>	<u>261,726</u>	<u>378,063</u>	<u>(3,931,768)</u>
GENERAL REVENUES				
District Levies				498,373
State Equalization				929,213
Other State Revenues				3,611,535
County				260,242
Interest				19,095
Other				434,793
Gain loss on Sale of Assets				(8,796)
Total General Revenues				<u>5,744,455</u>
Change in Net Position				1,812,687
Net Position				
Beginning of the Year				10,363,323
Prior Period Adjustments				(23,791)
End of the Year				<u>\$ 12,152,219</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR			
	General	Transportation (Elem.)	Building Reserve (Elem.)	Transportation (HS)
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,062,917	\$ 231,352	\$ 363,033	\$ 125,321
Taxes Receivable	10,536	7,943	98	3,134
Total Assets	1,073,453	239,295	363,131	128,455
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	10,536	7,943	98	3,134
Total Deferred Inflows of resources	10,536	7,943	98	3,134
FUND BALANCE:				
Fund Balances:				
Restricted	-	231,352	363,033	125,321
Unassigned:	1,062,917	-	-	-
Total Fund Balance	1,062,917	231,352	363,033	125,321
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,073,453	\$ 239,295	\$ 363,131	\$ 128,455

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above

Governmental Capital Assets

Long-term Liabilities

Long-Term Obligations

Compensated Absences

Long-Term Capital Obligations

Unavailable Property Taxes Receivable

Net Position of Governmental Activities

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR			
	Building (HS)	Building Reserve (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 363,042	\$ 520,271	\$ 762,046	\$ 3,427,982
Taxes Receivable	-	99	484	22,294
Total Assets	<u>363,042</u>	<u>520,370</u>	<u>762,530</u>	<u>3,450,276</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	-	99	484	22,294
Total Deferred Inflows of resources	<u>-</u>	<u>99</u>	<u>484</u>	<u>22,294</u>
FUND BALANCE:				
Fund Balances:				
Restricted	363,042	520,271	762,046	2,365,065
Unassigned:	-	-	-	1,062,917
Total Fund Balance	<u>363,042</u>	<u>520,271</u>	<u>762,046</u>	<u>3,427,982</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 363,042</u>	<u>\$ 520,370</u>	<u>\$ 762,530</u>	<u>\$ 3,450,276</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 3,427,982
Governmental Capital Assets	9,168,799
Long-term Liabilities	
Long-Term Obligations	(36,055)
Compensated Absences	(84,115)
Long-Term Capital Obligations	(346,686)
Unavailable Property Taxes Receivable	<u>22,294</u>
Net Position of Governmental Activities	<u>\$ 12,152,219</u>

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

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

	MAJOR			
	General	Transportation (Elem.)	Building Reserve (Elem.)	Transportation (HS)
REVENUES:				
District Levies	\$ 186,432	\$ 231,244	\$ 20	\$ 66,883
Interest	8,582	869	1,249	598
Charges for Services	184,251	-	-	-
Other	475	124	23	89
County	-	23,759	-	5,940
State	2,721,128	170,455	806,466	82,713
Federal	-	-	-	-
Total Revenues	3,100,868	426,451	807,758	156,223
EXPENDITURES:				
Current				
Instructional Services	1,918,290	-	1,207	-
Support Services	-	-	-	-
Educational Media Services	62,849	-	-	-
General Administrative Services	322,710	45,809	-	53,306
Operation & Maintenance Services	300,648	11,474	79,081	15,223
Transportation Services	-	250,352	-	62,302
School Food Services	69,118	-	-	-
Extracurricular	179,633	-	-	-
Capital Outlay	1,217,249	-	1,398,500	-
Total Expenditures	4,070,497	307,635	1,478,788	130,831
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(969,629)	118,816	(671,030)	25,392
OTHER FINANCING SOURCES/USES				
Loan Proceeds	-	-	-	-
Fund Transfers In	-	-	-	-
Fund Transfers (Out)	(15,000)	-	-	-
Total Other financial Sources/Uses	(15,000)	-	-	-
NET CHANGES IN FUND BALANCES	(984,629)	118,816	(671,030)	25,392
FUND BALANCE:				
Beginning of the Year	2,077,944	112,536	1,034,063	99,929
Prior Period Adjustments	(30,398)	-	-	-
End of the Year	\$ 1,062,917	\$ 231,352	\$ 363,033	\$ 125,321

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			Total Governmental Funds
	Building (HS)	Building Reserve (HS)	Other Governmental Funds	
REVENUES:				
District Levies	\$ -	\$ 20	\$ 3,646	\$ 488,245
Interest	1,507	2,482	3,808	19,095
Charges for Services	-	-	77,475	261,726
Other	367,503	-	66,577	434,791
County	-	-	260,242	289,941
State	-	852,759	7,211	4,640,732
Federal	-	-	248,382	248,382
Total Revenues	369,010	855,261	667,341	6,382,912
EXPENDITURES:				
Current				
Instructional Services	-	-	418,257	2,337,754
Support Services	-	-	96,798	96,798
Educational Media Services	-	-	5,854	68,703
General Administrative Services	-	-	51,465	473,290
Operation & Maintenance Services	13,432	87,086	42,776	549,720
Transportation Services	-	-	-	312,654
School Food Services	-	-	111,202	180,320
Extracurricular	-	-	9,866	189,499
Capital Outlay	506,686	1,066,463	6,845	4,195,743
Total Expenditures	520,118	1,153,549	743,063	8,404,481
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,108)	(298,288)	(75,722)	(2,021,569)
OTHER FINANCING SOURCES/USES				
Loan Proceeds	346,686	-	-	346,686
Fund Transfers In	-	-	15,000	15,000
Fund Transfers (Out)	-	-	-	(15,000)
Total Other financial Sources/Uses	346,686	-	15,000	346,686
NET CHANGES IN FUND BALANCES	195,578	(298,288)	(60,722)	(1,674,883)
FUND BALANCE:				
Beginning of the Year	167,464	818,559	822,768	5,133,263
Prior Period Adjustments	-	-	-	(30,398)
End of the Year	\$ 363,042	\$ 520,271	\$ 762,046	\$ 3,427,982

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

Fairview School District No. 13 & 3
Richland County
Fairview, Montana 59221

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		\$ (1,674,883)
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		10,128
Revenues reported in the governmental funds statement not included in the Statement of Activities		
Bond/Note Proceeds		(346,686)
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(394,570)	
(Increase) decrease in Other Post Employment Benefits	(7,211)	
(Increase) decrease in compensated absence liability	<u>38,962</u>	(362,819)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays	4,195,743	
Gain loss on sale of assets	<u>(8,796)</u>	<u>4,186,947</u>
Change in net position reported on the Statement of Activity		<u>\$ 1,812,687</u>

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

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

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 96,512	\$ 267,872
Total Assets	<u>96,512</u>	<u>267,872</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable		220,855
Other Current Liabilities	-	<u>47,017</u>
Total Liabilities	-	<u>267,872</u>
NET POSITION:		
Restricted for Student Activities	<u>96,512</u>	
Total Net Position	<u>\$ 96,512</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	\$ 249,955
Total Additions	<u>249,955</u>
DEDUCTIONS:	
Expenses of Student Activities	<u>214,614</u>
Total Deductions	<u>214,614</u>
CHANGE IN NET POSITION	35,341
NET POSITION:	
Beginning of the Year	<u>61,171</u>
End of the Year	<u>\$ 96,512</u>

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

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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 Fairview School District No. 13 & 3 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following

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

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

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

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

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

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

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

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

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

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

- Charges for services such as school lunch fees and facility rental fees
- 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, 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 is displayed as a fiduciary fund. 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 should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental 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)

In addition to funds that meet the major fund criteria, any other governmental 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:

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the flexibility funds since the restrictions on those funds are similar to the general fund.
- Elementary/High School Transportation Funds – 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.
- High School Building Fund – This fund is used to account for the insurance proceeds of damaged property and construction and repair of school property.
- Elementary/High School Building Reserve Funds – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

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 in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer.

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

1. c. 2 TAXES

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

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.

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

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 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from two sources: property taxes and special assessments. 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 staff are limited to 100 days of sick leave and after seven years of service are paid out upon termination at \$65 per day.

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 \$3,934 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

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:

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 188,543
Operations and Maintenance	7,863
Student Transportation	728,498
School Food	1,882
Third Party Grantor Restrictions	103,850
Employer Retirement Benefits	86,426
Future Technology	1,655
Future Capital Costs	1,246,346
Debt Service	2
Total	<u>\$ 2,365,065</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 Richland County. The Richland County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the Richland County which are subject to distribution to the various taxing jurisdictions located in the Richland County. The collections made by the Richland 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 Richland County Treasurer. No service charges have been recorded by the School District or the Richland County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 3,427,982</u>	<u>\$ 364,384</u>	<u>\$ 3,792,366</u>

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

	<u>Amount</u>
Demand Accounts	\$ 96,512
County Investment Pool	3,695,854
Total	<u>\$ 3,792,366</u>

Cash resources of the School District are held and managed by the Richland County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Richland County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of U.S. Government Securities, demand deposit and Certificates of Deposit and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Richland County government. Because of the custodial involvement of the Richland County government, and the commingling of cash in County deposits in the name of the Richland County Treasurer, full risk classifications according to GASB 40 are available in the Richland County's annual report. There is no known maturity and credit rating of the Richland County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at the Richland County. As of June 30, 2014, \$96,512 was exposed to custodial credit risk and was covered by FDIC insurance.

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$5,720,804 for the Elementary School District and \$6,500,551 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high School Districts follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	21.87	\$ 7,514
Transportation	38.47	7,943
Building Reserve	0.00	98
<u>High School Fund</u>		
General*	7.82	3,022
Transportation	9.57	3,134
Adult Education	0.00	484
Building Reserve	0.00	99
Total	<u>77.73</u>	<u>\$ 22,294</u>

* Denotes Major Funds

NOTE 4. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 183,309	\$ 0	\$ 0	\$ 0	\$ 183,309
Construction In Progress	786,284	2,981,316	0	(2,594,661)	1,172,939
Total Non-depreciable	<u>\$ 969,593</u>	<u>\$ 2,981,316</u>	<u>\$ 0</u>	<u>\$ (2,594,661)</u>	<u>\$ 1,356,248</u>
<u>Depreciable:</u>					
Land Improvements	\$ 254,194	\$ 0	\$ 0	\$ 0	\$ 254,194
Buildings	5,816,061	1,155,665	(120,751)	2,594,661	9,445,636
Major Equipment	1,094,393	89,182	(78,521)	0	1,105,054
Total Depreciable	<u>\$ 7,164,648</u>	<u>\$ 1,244,847</u>	<u>\$ (199,272)</u>	<u>\$ 2,594,661</u>	<u>\$ 10,804,884</u>
<u>Accumulated Depreciation:</u>					
Land Improvements	\$ (69,954)	\$ (12,209)	\$ 0	\$ 0	\$ (82,163)
Buildings	(2,049,692)	(259,476)	104,407	3,554	(2,201,207)
Major Equipment	(644,780)	(122,885)	55,649	3,053	(708,963)
Total Depreciation	<u>\$ (2,764,426)</u>	<u>\$ (394,570)</u>	<u>\$ 160,056</u>	<u>\$ 6,607</u>	<u>\$ (2,992,333)</u>
Net Depreciable Assets	<u>4,400,222</u>	<u>850,277</u>	<u>(39,216)</u>	<u>2,601,268</u>	<u>7,812,551</u>
Net Governmental Capital Assets	<u>\$ 5,369,815</u>	<u>\$ 3,831,593</u>	<u>\$ (39,216)</u>	<u>\$ 6,607</u>	<u>\$ 9,168,799</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 22,343
School Administration	1,061
Operation & Maintenance	10,258
Transportation	89,223
Unallocated	271,685
Total Depreciation Expense	<u>\$ 394,570</u>

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

NOTE 5. CHANGES IN LONG-TERM DEBT

5. 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>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
Loan payable	\$ 0	\$ 346,686	\$ 0	\$ 346,686	\$ 82,724
<u>Other Liabilities:</u>					
Compensated Absences	\$ 123,077	\$ 0	\$ (38,962)	\$ 84,115	\$ 3,934
Other Post-Employment Benefits (OPEB)	28,844	7,211	0	36,055	0
Total Other Liabilities	<u>\$ 151,921</u>	<u>\$ 7,211</u>	<u>\$ (38,962)</u>	<u>\$ 120,170</u>	<u>\$ 3,934</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 151,921</u>	<u>\$ 353,897</u>	<u>\$ (38,962)</u>	<u>\$ 466,856</u>	<u>\$ 86,658</u>

5. b. LOAN PAYABLE

The School District issued a loan for the purchase of land and building. The Loan is a direct obligation and pledges the full faith and credit of the School District. This loan was issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Duplex Loan	May 13, 2014	3.948%	3 years	July 1, 2017	\$ 346,686	\$ 346,686

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

<u>For the year</u> <u>ended 6/30:</u>	<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 82,724	\$ 9,640
2016	114,456	8,696
2017	119,018	4,134
2018	30,488	300
Totals	<u>\$ 346,686</u>	<u>\$ 22,770</u>

NOTE 6. DEFERRED INFLOWS OF RESOURCES

PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 7,514	Taxes Receivable
Transportation*	7,943	Taxes Receivable
Building Reserve*	98	Taxes Receivable
<u>High School Fund</u>		
General*	3,022	Taxes Receivable
Transportation*	3,134	Taxes Receivable
Adult Education	484	Taxes Receivable
Building Reserve*	99	Taxes Receivable
Total	<u>\$ 22,294</u>	

* Denotes Major Funds

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

NOTE 7. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ (15,199)	Prior year adjustment not made on TFS
<u>High School Fund</u>		
General*	(15,199)	Prior year adjustment not made on TFS
Total	<u>\$ (30,398)</u>	
* Denotes Major Funds		
Governmental Type Activities	6,607	Capital asset accumulated depreciation adjustment
Total	<u>\$ (23,791)</u>	

NOTE 8. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Flexibility*	\$ 15,000	Inter-local Agreement - Allowable transfer
* Denotes Major Funds		

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$3,300 per member and \$6,600 per member and spouse. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 50,745
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>50,745</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,822,203
UAAL as a percentage of covered payroll	3%

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)	\$ 7,211
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	7,211
Contribution made	<u>0</u>
Increase in net OPEB obligation	7,211
Net OPEB obligation - beginning of year	<u>28,844</u>
Net OPEB obligation - end of year	<u>\$ 36,055</u>

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

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	5.00%
Average Salary Increase	1.00%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTE 10. RISK MANAGEMENT

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

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

NOTE 11. 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:

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 240,121	\$ 285,472	\$ 260,110
PERS	<u>38,493</u>	<u>33,480</u>	<u>41,773</u>
Total	<u>\$ 278,614</u>	<u>\$ 318,952</u>	<u>\$ 301,883</u>

NOTE 12. COOPERATIVE

SPECIAL EDUCATION

The Fairview School District No. 13 & 3 is a member of the Prairie View Special Education Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Fairview School District No. 13 & 3, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Richland County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

NOTE 13. TRANSPORTATION

The District has four bus routes for its student transportation needs that it contracts for independently. The first contract is with Paul Borg (Borg) at a rate of \$8.44 per mile per day to transport eligible school students to and from school on each day during which school will be in session. The contract is for five years and terminates May 2017. Transportation fees paid to Borg in fiscal year 2014 were \$61,103.

The second contract is with KT Inc. at a rate of \$3.80 per mile per day to transport eligible school students to and from school on each day during which school will be in session. The contract is for five years and terminates May 2017. Transportation fees paid to KT Inc. in fiscal year 2014 were \$74,681.

The third contract is with Mike and Melodee Kjos (Kjos) at a rate of \$4.33 per mile per day to transport eligible school students to and from school on each day during which school will be in session. The contract is for five years and terminates May 2017. Transportation fees paid to Kjos in fiscal year 2014 were \$71,117.

The fourth contract is with Ken and Graycie Sharbono (Sharbono) at a rate of \$3.77 per mile per day to transport eligible school students to and from school on each day during which school will be in session. The contract is for five years and terminates May 2017. Transportation fees paid to Sharbono in fiscal year 2014 were \$105,797.

NOTE 14. SUBSEQUENT EVENT

In fiscal year 2015 the School District purchased two lots in town for \$267,000. These lots are to provide for future teacher housing needs.

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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>
<u>7/1/2013</u>	<u>0</u>	<u>\$50,745</u>	<u>\$50,745</u>	<u>0</u>	<u>\$1,822,203</u>	<u>3%</u>

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

	General (Elem)			Transportation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 125,137	\$ 125,137	\$ 132,348	\$ 220,058	\$ 220,058	\$ 231,244
Interest	1,711	1,711	1,365	-	-	869
Charges for Services	-	-	-	-	-	-
Other	343	343	386	-	-	124
County	-	-	-	32,155	32,155	23,759
State	1,079,094	1,079,094	1,079,094	178,851	178,851	170,455
Total Revenues	<u>1,206,285</u>	<u>1,206,285</u>	<u>1,213,193</u>	<u>431,064</u>	<u>431,064</u>	<u>426,451</u>
EXPENDITURES:						
Current						
Instructional Services			872,358			-
Educational Media Services			20,492			-
General Administrative Services			159,737			45,809
Operation & Maintenance Services			128,585			11,474
Transportation Services			-			250,352
School Food Services			34,469			-
Extracurricular			28,533			-
Capital Outlay			-			-
Total Expenditures	<u>1,244,175</u>	<u>1,244,175</u>	<u>1,244,174</u>	<u>453,000</u>	<u>453,000</u>	<u>307,635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(37,890)</u>	<u>(37,890)</u>	<u>(30,981)</u>	<u>(21,936)</u>	<u>(21,936)</u>	<u>118,816</u>
OTHER FINANCING SOURCES/USES						
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	(37,890)	(37,890)	(30,981)	(21,936)	(21,936)	118,816
FUND BALANCE:						
Beginning of the Year			63,090			112,536
Prior Period Adjustments			(15,199)			-
End of the Year			<u>\$ 16,910</u>			<u>\$ 231,352</u>

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

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

	Flexibility Fund (Elem.)			Transportation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ 62,221	\$ 62,221	\$ 66,883
Interest	-	-	2,499	-	-	598
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	89
County	-	-	-	8,039	8,039	5,940
State	710,842	710,842	453,012	84,812	84,812	82,713
Total Revenues	<u>710,842</u>	<u>710,842</u>	<u>455,511</u>	<u>155,072</u>	<u>155,072</u>	<u>156,223</u>
EXPENDITURES:						
Current						
Instructional Services			228,758			-
Educational Media Services			5			-
General Administrative Services			925			53,306
Operation & Maintenance Services			19,576			15,223
Transportation Services			-			62,302
School Food Services			984			-
Extracurricular			3,150			-
Capital Outlay			780,118			-
Total Expenditures	<u>1,617,428</u>	<u>1,617,428</u>	<u>1,033,516</u>	<u>230,000</u>	<u>230,000</u>	<u>130,831</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(906,586)</u>	<u>(906,586)</u>	<u>(578,005)</u>	<u>(74,928)</u>	<u>(74,928)</u>	<u>25,392</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(15,000)			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(906,586)	(906,586)	(593,005)	(74,928)	(74,928)	25,392
FUND BALANCE:						
Beginning of the Year			906,586			99,929
Prior Period Adjustments			-			-
End of the Year			<u>\$ 313,581</u>			<u>\$ 125,321</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

	General (HS)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 50,834	\$ 50,834	\$ 54,084	\$ -	\$ -	\$ -
Interest	1,853	1,853	1,321	-	-	3,397
Charges for Services	183,264	183,264	184,251	-	-	-
Other	79	79	89	-	-	-
County	-	-	-	-	-	-
State	828,438	828,438	828,438	410,266	410,266	360,584
Total Revenues	<u>1,064,468</u>	<u>1,064,468</u>	<u>1,068,183</u>	<u>410,266</u>	<u>410,266</u>	<u>363,981</u>
EXPENDITURES:						
Current						
Instructional Services			596,707			220,467
Educational Media Services			42,352			-
General Administrative Services			161,024			1,024
Operation & Maintenance Services			147,154			5,333
Transportation Services			-			-
School Food Services			32,682			983
Extracurricular			124,950			23,000
Capital Outlay			-			437,131
Total Expenditures	<u>1,104,870</u>	<u>1,104,870</u>	<u>1,104,869</u>	<u>1,382,933</u>	<u>1,382,933</u>	<u>687,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(40,402)</u>	<u>(40,402)</u>	<u>(36,686)</u>	<u>(972,667)</u>	<u>(972,667)</u>	<u>(323,957)</u>
OTHER FINANCING SOURCES/USES						
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>(40,402)</u>	<u>(40,402)</u>	<u>(36,686)</u>	<u>(972,667)</u>	<u>(972,667)</u>	<u>(323,957)</u>
FUND BALANCE:						
Beginning of the Year			135,601			972,667
Prior Period Adjustments			(15,199)			-
End of the Year			<u>\$ 83,716</u>			<u>\$ 648,710</u>

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

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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, 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. The major funds high school and elementary building reserve are not included in the schedule because they are not special revenue funds and the high school building fund is a non-budgeted fund.

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.

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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>Total General Fund</u>
REVENUES:					
District Levies	\$ 132,348	\$ 54,084	\$ 0	\$ 0	\$ 186,432
Interest Earnings	1,365	1,321	2,499	3,397	8,582
Other	386	89	0	0	475
State Sources	1,079,094	828,438	453,012	360,584	2,721,128
Charge For Services	0	184,251	0	0	184,251
Total Revenues	<u>\$ 1,213,193</u>	<u>\$ 1,068,183</u>	<u>\$ 455,511</u>	<u>\$ 363,981</u>	<u>\$ 3,100,868</u>
EXPENDITURES:					
Instructional Services	872,358	596,707	228,758	220,467	1,918,290
Educational Media	20,492	42,352	5	0	62,849
General Administrative	159,737	161,024	925	1,024	322,710
Operation & Maintenance	128,585	147,154	19,576	5,333	300,648
Extracurricular	28,533	124,950	3,150	23,000	69,118
School Food	34,469	32,682	984	983	179,633
Capital Outlay	0	0	780,118	437,131	1,217,249
Total Expenditures	<u>\$ 1,244,174</u>	<u>\$ 1,104,869</u>	<u>\$ 1,033,516</u>	<u>\$ 687,938</u>	<u>\$ 4,070,497</u>
OTHER FINANCING (USES)					
Fund Transfers (out)	0	0	(15,000)	0	(15,000)
Net Changes In Fund Balance	(30,981)	(36,686)	(593,005)	(323,957)	(984,629)
FUND BALANCE:					
Beginning of the Year	63,090	135,601	906,586	972,667	2,077,944
Prior Period Adjustment	(15,199)	(15,199)	0	0	(30,398)
Ending of the Year	<u>16,910</u>	<u>83,716</u>	<u>313,581</u>	<u>648,710</u>	<u>1,062,917</u>

In the reconciliation the general funds and flexibility funds 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 are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general funds because they have unassigned fund balance like the general funds.

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. The following major funds are not reported because the high school building fund is a non-budgeted fund and the building reserve funds are budgeted capital projects funds.

Fairview Schools
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning				Ending Balance
	Balance	Revenues	Expenses	Transfers	
	<u>7/1/2013</u>				<u>6/30/2014</u>
ATHLETICS	\$ 2,637	\$ 76,544	\$ 62,993	\$ (4,020)	\$ 12,168
CHEERLEADING	956	4,228	3,274	-	1,910
CLASS OF 2014	1,436	715	1,757	(394)	-
CLASS OF 2015	1,448	9,526	8,247	376	3,103
CLASS OF 2016	696	440	165	-	971
CLASS OF 2017	-	1,357	-	-	1,357
CONCESSIONS	2,240	41,406	21,657	(19,695)	2,294
DUCK RACE	58	49,278	3,709	(27,925)	17,702
EA TOURS	8,652	19,286	72,458	50,841	6,321
FCCLA	800	1,290	1,626	-	464
FFA	3,702	9,298	2,670	-	10,330
HONOR SOCIETY	287	2,566	2,122	-	731
LIBRARY	1,544	950	969	-	1,525
MATH CLUB	537	2,296	1,410	-	1,423
MUSIC	1,244	1,171	393	-	2,022
PLOTTER SHOP	2,857	3,129	2,657	299	3,628
RESOURCE STORE	2,599	16	328	-	2,287
SCIENCE CLUB	886	-	-	-	886
SPANISH CLUB	1,564	-	-	-	1,564
SPEECH & DRAMA	-	1,050	1,050	-	-
STUDENT COUNCIL - HS	3,126	11,282	10,779	-	3,629
STUDENT COUNCIL - JH	1,095	4,904	4,375	364	1,988
STUDENT PROJECTS	211	5,994	3,146	119	3,178
STUDENT PUBLICATIONS	569	17	-	-	586
WARRIOR CLUB	5,106	502	1,201	-	4,407
YEARBOOK	16,921	2,710	7,628	35	12,038
Total	<u>\$ 61,171</u>	<u>\$ 249,955</u>	<u>\$ 214,614</u>	<u>\$ -</u>	<u>\$ 96,512</u>

FAIRVIEW SCHOOL DISTRICT NO. 13 & 3

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	26	26	0
Grade 1 - 6	129	129	0
Grade 7 - 8	46	46	0
Total	<u>201</u>	<u>201</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>96</u>	<u>96</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	1	1	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>1</u>	<u>1</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	131	131	0
Grade 7 - 8	43	43	0
Total	<u>197</u>	<u>197</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>96</u>	<u>96</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	25	25	0
Grade 1 - 6	134	134	0
Grade 7 - 8	43	43	0
Total	<u>202</u>	<u>202</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>95</u>	<u>95</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
Fairview School District No. 13 & 3
Richland County
Fairview, Montana 59221

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview School District No. 13 & 3 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fairview School District No. 13 & 3's basic financial statements and have issued our report thereon dated May 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairview School District No. 13 & 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness as item 2014-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairview School District No. 13 & 3'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*.

Fairview School District No. 13 & 3's Response to Findings

The District did not provide a response to the findings identified in our audit are described in the schedule of findings and responses. State law provides if a response is not included in the report the audited entity has thirty-days to provide a response to the State

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 5, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Prior year finding 2013 Finding number 1 is repeated as finding 2014-001 below.

2014-001 - Trustee's financial summary and accounting records (Repeat of 2013 finding 1):

Criteria: Generally accepted accounting principles (GAAP) requires School District liabilities to be reported correctly.
Condition: The payroll and claims clearing funds in the Trustees Financial Summary (TFS) show other current liabilities that are not supported by the School Districts accounting records.
Effect: The underlying accounting records do not properly support these TFS liabilities.
Context: The payroll and claims clearing funds have \$44,553 and \$2,464 of unsupported other current liabilities.
Cause: This is caused by not reconciling the payroll and claims clearing accounts outstanding warrants to the County Treasurers cash reports in a timely manner on a monthly basis.
Recommendation: We recommend the District reconcile its payroll and claims clearing accounts outstanding warrants to the County Treasurer cash reports on a monthly basis.

2014-002 - Capital assets and long-term debt reporting:

Criteria: GAAP requires debt and capital assets to be recorded in the period in which the agreement was reached and down payment was made on the asset.
Condition: The District did not report a capital asset and related long-term debt associated with the asset purchased prior to June 30, 2014.
Effect: Loan proceeds were understated in the other financing sources/uses section of the statement of revenues, expenditures, and changes in fund balances. The capital assets and liabilities were likewise understated on the government wide financial statements.
Context: Capital assets, long-term debt, and loan proceeds were all understated by \$346,686.
Cause: The District did not record the asset and related debt at the time the transaction was signed and agreed to.
Recommendation: We recommend that the District record assets and related debt in the period in which the transaction occurs rather than the period of first payment on the debt.