

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-5
Independent Auditor’s Report	6-8
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Fiduciary Fund Types	15
Statement of Changes in Net Position - Fiduciary Fund Types	16
Notes to Financial Statements	17-28
Required Supplemental Information	
Budgetary Comparison Schedule	29-32
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	33
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	34
Supplemental Information	
Schedule of Enrollment	35-37
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	38
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	39-41
Report on Prior Audit Recommendations	42

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Virginia Pine
Isaiah Williams
Mischell Smith

Chairperson
Vice Chairperson
Trustee

DISTRICT OFFICIALS

Dan Smith
Barbara Traina
Regan Lewis
Ronald Higgins
Bernard Cassidy

Principal
District Clerk (through 4/2014)
District Clerk (from 5/2014)
County Superintendent
County Attorney

Management Discussion and Analysis

The Board of Trustees and the District Clerk of the Fortine School District have provided the MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report. The report is also intended to show a comparison to the last audit period of fiscal year ending June 30, 2013.

- A. The Statement of Net Position shows the assets, liabilities and the net position of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in fixed or capital assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

Reporting the District's Most Significant Funds

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

The fund statements report balances and activities of the most significant funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

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

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

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee for the student extracurricular fund. The report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The District as a Whole

Prior year information will be compared to the fiscal year ending June 30, 2014.

Fortine Public School, Lincoln County, Montana
MD & A Comparisons
June 30, 2014

Table 1 - Net Position

	Governmental Activities		
	FY14	FY13	Change Inc (Dec)
		\$	\$
Current and other assets	131,877	190,161	(58,284)
Capital assets	255,120	212,451	42,669
Total assets	<u>\$ 386,997</u>	<u>\$ 402,612</u>	<u>\$ (15,615)</u>
Long-term debt outstanding	\$ 200,098	\$ 144,339	\$ 55,759
Total liabilities	<u>\$ 200,098</u>	<u>\$ 144,339</u>	<u>\$ 55,759</u>
Net investment in capital assets	\$ 255,120	\$ 212,451	\$ 42,669
Restricted	77,323	145,783	(68,460)
Unrestricted (deficit)	(145,544)	(99,961)	(45,583)
Total net position	<u>\$ 186,899</u>	<u>\$ 258,273</u>	<u>\$ (71,374)</u>

Table 2 - Changes in Net Position

	Governmental Activities		
	FY14	FY13	Change Inc (Dec)
		\$	\$
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 6,497	\$ 4,410	\$ 2,087
Operating grants and contributions	99,817	107,524	(7,707)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	191,372	198,334	(6,962)
Grants and entitlements not restricted to specific programs	398,651	343,812	54,839
Investment earnings	71	337	(266)
Miscellaneous (other revenue)	-	4,046	(4,046)
State entitlement (block grants)	21,295	21,951	(656)
County retirement	55,090	56,804	(1,714)
Total revenues	<u>\$ 772,793</u>	<u>\$ 737,218</u>	<u>\$ 35,575</u>
Program expenses			
Instructional - regular	\$ 416,890	\$ 363,432	\$ 53,458
Instructional - special education	46,155	40,795	5,360
Instructional - adult education	-	1,064	(1,064)
Supporting services - operations & maintenance	59,887	60,477	(590)
Supporting services - educational media services	4,617	3,119	1,498
Administration - general	17,444	21,171	(3,727)
Administration - school	42,750	35,662	7,088
Administration - business	64,279	53,430	10,849
Student transportation	97,516	99,388	(1,872)
Extracurricular	3,680	1,745	1,935
School food	84,227	82,343	1,884
Unallocated depreciation*	6,722	6,722	-
Total expenses	<u>\$ 844,167</u>	<u>\$ 769,348</u>	<u>\$ 74,819</u>
Increase (decrease) in net position	<u>\$ (71,374)</u>	<u>\$ (32,130)</u>	<u>\$ (39,244)</u>

Analysis of Financial Information

1. What does the school do? The school is an accredited K-6th, with a designated 7-8th. The Kindergarten is run full days, 180 days a year. The school runs two bus routes, transporting any district child that requests the transportation. The school participates in Federal Title Programs, Montana Team and Nutrition Programs, and receives monies from Lincoln Electric, Interbel and Plum Creek. The school operates a Severe Need Breakfast and Lunch Program, supplemented with government allocations. The school belongs to the Northwest Montana Educational Cooperative and the Special Education Cooperative. The school offers adult education opportunities to the community. The district runs both an after-school program and a summer-rec program.
2. Where do the resources come from? Property taxes for general purposes were \$198,334 for fiscal year ending June 30, 2013. In fiscal year ending June 30, 2014 property taxes for general purposes generated approximately \$191,372. Grants and entitlements generated approximately \$343,812 in fiscal year ending June 30, 2013. In the fiscal year ending June 30, 2014 the above item generated approximately \$398,651. Investment earnings and miscellaneous revenue of approximately \$4,383 flowed into the District during fiscal year ending June 30, 2013. These revenue items generated \$20,071 during fiscal year ending June 30, 2014. County retirement amounted to \$56,804 in fiscal year ending 2013 and \$55,090 in fiscal year ending 2014. Block grants and technology revenue generated \$21,295 in fiscal year ending 2014 and \$21,951 in fiscal year ending 2013. The state entitlement remained approximately the same for the fiscal years ending 2013 and 2014. As has been shown, the district has experienced an increase in revenue over the fiscal year ending 2013.
3. What does it cost? In the fiscal year ending 2014 the school district experienced a more stable spending year. The district experienced an increase in certified salaries due to step and lane increases; however the certified staff remained consistent leading to more overall expenditures. Health insurance benefits stayed the same for all employees. The district saw no increase in supplies and materials in fiscal year 2013-2014 due to the class alignments. The transportation fund remained steady. The extra-curricular fund expenses were approximately the same as revenue generated through fund raising activities. The depreciation fund remained intact. The adult education fund helped to bring ski, snowshoe and computer classes to the community. The ANB in fiscal year ending 2014 increased, which led to a more positive financial outlook for the future.
4. What are the Capital Assets and Debt of the District? The total capital assets of the District were approximately \$239,064 and liabilities totaled \$200,098 in the fiscal year ending 2014. The total net position for the fiscal year ending 2014 was \$170,843.
5. Fund Deficits? There were no fund deficits.

6. What changes and trends affect the District's future? The lower and upper grades in enrollment remain steady. The accredited 7-8 has brought more funding to the district. Along with the funding does come the challenge of meeting the curriculum of the older students. Scheduling issues are always a challenge with our older buildings and limited building resources. The Board of Trustees continues to generate plans around the resources the district does have instead of attempting a tax levy at this time. Jobs remain an issue for this community with the closure of the Plum Creek Mill. The district is expecting a continued increase in expenditures with the Common Core Curriculum in 2015-16 school year. The district will continue to see major changes in training of personnel, textbooks, assessment and technology. The Board of Trustees will use the Flathead Curriculum Coop for guidance. The Trustees will be watching closely to the effects on the budget in the coming years.

FOR FURTHER INFORMATION

Regan Lewis
District #14 Clerk
PO Box 96
Fortine, MT 59918
(406) 882-4531
regan@fortineschool.net

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fortine Public School
Lincoln County
Fortine, 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 Fortine Public School, Lincoln County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fortine Public School, Lincoln County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the Fortine Public School, Lincoln County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 5, 29 through 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Fortine Public School, Lincoln County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fortine Public School, Lincoln County, Montana's internal control over financial reporting and compliance.

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

June 15, 2015

Fortine Public School, Lincoln County, Montana
Statement of Net Position
June 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	117,977
Taxes and assessments receivable, net		13,900
Total current assets	\$	131,877
Noncurrent assets		
Capital assets - land	\$	5,836
Capital assets - depreciable, net		249,284
Total noncurrent assets	\$	255,120
Total assets	\$	386,997
LIABILITIES		
Current liabilities		
Current portion of compensated absences payable	\$	8,191
Total current liabilities	\$	8,191
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	180,029
Noncurrent portion of compensated absences		11,878
Total noncurrent liabilities	\$	191,907
Total liabilities	\$	200,098
NET POSITION		
Net investment in capital assets	\$	255,120
Restricted for capital projects		33,651
Restricted for special projects		43,672
Unrestricted		(145,544)
Total net position	\$	186,899

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>				<u>Governmental Activities</u>
Instructional - regular	\$ 416,890	\$ -	\$ 19,126	\$ (397,764)
Instructional - special education	46,155	-	13,677	(32,478)
Supporting services - operations & maintenance	59,887	-	-	(59,887)
Supporting services - educational media services	4,617	-	-	(4,617)
Administration - general	17,444	-	-	(17,444)
Administration - school	42,750	-	-	(42,750)
Administration - business	64,279	-	-	(64,279)
Student transportation	97,516	-	24,156	(73,360)
Extracurricular	3,680	-	-	(3,680)
School food	84,227	6,497	42,858	(34,872)
Unallocated depreciation*	6,722	-	-	(6,722)
Total primary government	\$ 844,167	\$ 6,497	\$ 99,817	\$ (737,853)
		General Revenues:		
		Property taxes for general purposes	\$	191,372
		Grants and entitlements not restricted to specific programs		398,651
		Investment earnings		71
		Miscellaneous (other revenue)		-
		State entitlement (block grants)		21,295
		County retirement		55,090
		Total general revenues, special items and transfers	\$	666,479
		Change in net position	\$	(71,374)
		Net position - beginning	\$	258,273
		Net position - end	\$	186,899

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	General	Transportation	Bus Depreciation	Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 46,091	\$ 18,390	\$ 32,085	\$ 13,470	\$ 7,941	\$ 117,977
Taxes and assessments receivable, net	<u>8,463</u>	<u>3,407</u>	<u>1,566</u>	<u>-</u>	<u>464</u>	<u>13,900</u>
Total assets	<u>\$ 54,554</u>	<u>\$ 21,797</u>	<u>\$ 33,651</u>	<u>\$ 13,470</u>	<u>\$ 8,405</u>	<u>\$ 131,877</u>
 DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>\$ 8,463</u>	<u>\$ 3,407</u>	<u>\$ 1,566</u>	<u>\$ -</u>	<u>\$ 464</u>	<u>\$ 13,900</u>
 FUND BALANCES						
Restricted	\$ -	\$ 18,390	\$ 32,085	\$ 13,470	\$ 7,941	\$ 71,886
Unassigned fund balance	<u>46,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,091</u>
Total fund balance	<u><u>\$ 46,091</u></u>	<u><u>\$ 18,390</u></u>	<u><u>\$ 32,085</u></u>	<u><u>\$ 13,470</u></u>	<u><u>\$ 7,941</u></u>	<u><u>\$ 117,977</u></u>

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 117,977
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	255,120
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	13,900
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(200,098)
Total net position - governmental activities	\$ <u>186,899</u>

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 120,210	\$ 48,637	\$ 22,537	\$ 71	\$ 15,857	\$ 207,312
County revenue	-	12,078	-	55,090	-	67,168
State revenue	426,839	15,218	-	-	2,560	444,617
Federal revenue	-	-	-	-	60,302	60,302
Total revenues	<u>\$ 547,049</u>	<u>\$ 75,933</u>	<u>\$ 22,537</u>	<u>\$ 55,161</u>	<u>\$ 78,719</u>	<u>\$ 779,399</u>
EXPENDITURES						
Instructional - regular	\$ 281,915	\$ -	\$ -	\$ 57,927	\$ 21,289	\$ 361,131
Instructional - special education	40,586	-	-	4,993	576	46,155
Supporting services - operations & maintenance	59,887	-	-	-	-	59,887
Supporting services - educational media services	4,617	-	-	-	-	4,617
Administration - general	17,444	-	-	-	-	17,444
Administration - school	32,750	-	-	-	10,000	42,750
Administration - business	63,236	-	-	-	1,043	64,279
Student transportation	-	76,447	-	-	-	76,447
Extracurricular	3,543	-	-	137	-	3,680
School food	29,546	-	-	4,354	50,327	84,227
Capital outlay	-	-	70,460	-	-	70,460
Total expenditures	<u>\$ 533,524</u>	<u>\$ 76,447</u>	<u>\$ 70,460</u>	<u>\$ 67,411</u>	<u>\$ 83,235</u>	<u>\$ 831,077</u>
Net Change in Fund Balance	<u>\$ 13,525</u>	<u>\$ (514)</u>	<u>\$ (47,923)</u>	<u>\$ (12,250)</u>	<u>\$ (4,516)</u>	<u>\$ (51,678)</u>
Fund balances - beginning	\$ 32,566	\$ 18,904	\$ 80,008	\$ 25,720	\$ 12,457	\$ 169,655
Fund balance - ending	<u>\$ 46,091</u>	<u>\$ 18,390</u>	<u>\$ 32,085</u>	<u>\$ 13,470</u>	<u>\$ 7,941</u>	<u>\$ 117,977</u>

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (51,678)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	70,460
- Depreciation expense	(27,791)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	(6,606)
--	---------

The change in compensated absences is shown as an expense in the Statement of Activities

(1,083)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	(54,676)
--	----------

Change in net position - Statement of Activities

\$ (71,374)

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 17,087	\$	46,532
Total assets	<u>\$ 17,087</u>	<u>\$</u>	<u>46,532</u>
LIABILITIES			
Warrants payable	\$ -	\$	46,532
Total liabilities	<u>\$ -</u>	<u>\$</u>	<u>46,532</u>
NET POSITION			
Assets held in trust	<u>\$ 17,087</u>		

See accompanying Notes to the Financial Statements

Fortine Public School, Lincoln County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Student activities	\$	<u>35,092</u>
Total additions	\$	<u>35,092</u>
 DEDUCTIONS		
Student activities	\$	<u>27,896</u>
Total deductions	\$	<u>27,896</u>
Change in net position	\$	<u>7,196</u>
 Net Position - Beginning of the year	 \$	 9,891
Net Position - End of the year	\$	<u><u>17,087</u></u>

See accompanying Notes to the Financial Statements

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District was established under Montana law to provide elementary educational services to residents of the District. The District provides education from kindergarten through the eighth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to "upon receipt". Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Bus Depreciation Fund – This fund is authorized for the purpose of financing the replacement of buses and two-way radio equipment owned by the District.

Retirement Fund – Authorized by Section 20-9-501, MCA for the purpose of financing the employer’s contribution to the Teacher’s Retirement System (TRS), the Public Employees’ Retirement System (PERS), Unemployment Compensation, and Social Security. Funded by the county-wide levy for retirement.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District's cash, except for the Student Extracurricular Fund (an expendable trust) is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014, consisted of savings. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Lincoln County deposits and investments is available from Lincoln County Treasurer's office, 512 California Avenue, Libby, Montana 5923-1942. Fair value approximates carrying value for investments as of June 30, 2014. The Lincoln County investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

Deposits

The District's deposit balance at year end was \$18,059 and the bank balance was \$18,059. The District's deposits at year-end were fully insured by FDIC.

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

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

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July.

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES

The costs of inventories are recorded as an expenditure when consumed.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	25 – 50 years
Equipment	5 – 8 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has no infrastructure to include in the Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 5,836	\$ -	\$ -	\$ 5,836
Other capital assets:				
Buildings	\$ 367,499	\$ -	\$ -	\$ 367,499
Machinery and equipment	149,145	108,809	(76,700)	181,254
Total other capital assets at historical cost	\$ 516,644	\$ 108,809	\$ (76,700)	\$ 548,753
Less: accumulated depreciation	\$ (310,029)	\$ (27,791)	\$ 38,351	\$ (299,469)
Total	\$ 212,451	\$ 81,018	\$ (38,349)	\$ 255,120

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Governmental Activities:	
Student transportation	\$ 21,069
Unallocated	<u>6,722</u>
Total governmental activities depreciation expense	<u>\$ 27,791</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 18,986	\$ 1,083	\$ 20,069	\$ 8,191
Other post-employment benefits*	125,353	54,676	180,029	-
Total	<u>\$ 144,339</u>	<u>\$ 55,759</u>	<u>\$ 200,098</u>	<u>\$ 8,191</u>

*See Note 7

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

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

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

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

Funding Status and funding Progress. The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 279,205
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 279,205
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 355,094
UAAL as a percentage of covered payroll	78.63%

Annual OPEB Cost and Net OPEB Obligation. 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (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.

Annual Required Contribution (ARC)	\$ 54,676
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	\$ 54,676
Contributions made	-
Increase in net OPEB obligation	\$ 54,676
Net OPEB obligation - beginning of year	125,353
Net OPEB obligation - end of year	\$ 180,029

FORTINE PUBLIC SCHOOL
 LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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

	Unit Credit Cost Method
Actuarial cost method	
Average age of retirement (based on historical data)	60
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and after	6.90%

NOTE 8. STATE-WIDE RETIREMENT PLANS

The District participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other District employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The District's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>		<u>TRS</u>
2012	\$ 5,550	\$	18,014
2013	\$ 6,583	\$	18,455
2014	\$ 8,617	\$	21,744

NOTE 9. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

FORTINE PUBLIC SCHOOL
 LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 18,390	Student transportation services
Bus Depreciation	32,085	Bus replacement
Retirement	13,470	Employer cost of employee benefits
All Other Aggregate:	1,108	School food services
	6,181	Instructional services
	425	Third party grant restrictions
	<u>227</u>	Supporting services
	<u>\$ 71,886</u>	

NOTE 10. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is a member of the Flathead Special Education Cooperative. The Cooperative is comprised of 16 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent.

The District's contribution to the Cooperative was \$1,307 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead Special Education Cooperative.

The District is also a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 22 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The District's contribution to the Cooperative was \$2,636 for fiscal year ended June 30, 2014. Separate financial statements are available from the Flathead County Education Cooperative.

FORTINE PUBLIC SCHOOL
LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. RISK MANAGEMENT

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Insurance Pools:

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Fortine Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 117,312	\$ 117,312	\$ 120,210	\$ 2,898
County revenue	-	-	-	-
State revenue	425,096	425,096	425,096	-
Amounts available for appropriation	<u>\$ 542,408</u>	<u>\$ 542,408</u>	<u>\$ 545,306</u>	<u>\$ 2,898</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 278,532	\$ 278,532	\$ 281,915	\$ (3,383)
Instructional - special education	40,830	40,830	40,586	244
Supporting services - operations & maintenance	81,320	81,320	59,887	21,433
Supporting services - educational media services	3,500	3,500	4,617	(1,117)
Administration - general	16,759	16,759	17,444	(685)
Administration - school	30,656	30,656	32,750	(2,094)
Administration - business	52,925	52,925	63,236	(10,311)
Student transportation	-	-	-	-
Extracurricular	4,175	4,175	3,543	632
School food	33,711	33,711	29,546	4,165
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 542,408</u>	<u>\$ 542,408</u>	<u>\$ 533,524</u>	<u>\$ 8,884</u>
Net change in fund balance			<u>\$ 11,782</u>	
Fund balance - beginning of the year			<u>\$ 31,968</u>	
Fund balance - end of the year			<u><u>\$ 43,750</u></u>	

Fortine Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Transportation			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	(BUDGETARY	WITH FINAL
			<u>BASIS) See Note A</u>	<u>BUDGET</u>
RESOURCES (INFLOWS):				
Local revenue	\$ 46,921	\$ 46,921	\$ 48,637	\$ 1,716
County revenue	14,117	14,117	12,078	(2,039)
State revenue	17,257	17,257	15,218	(2,039)
Amounts available for appropriation	<u>\$ 78,295</u>	<u>\$ 78,295</u>	<u>\$ 75,933</u>	<u>\$ (2,362)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ -	\$ -	\$ -	\$ -
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	81,000	81,000	76,447	4,553
Extracurricular	-	-	-	-
School food	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 81,000</u>	<u>\$ 81,000</u>	<u>\$ 76,447</u>	<u>\$ 4,553</u>
Net change in fund balance			<u>\$ (514)</u>	
Fund balance - beginning of the year			<u>\$ 18,904</u>	
Fund balance - end of the year			<u><u>\$ 18,390</u></u>	

Fortine Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Bus Depreciation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 21,315	\$ 21,315	\$ 22,537	\$ 1,222
County revenue	-	-	-	-
State revenue	-	-	-	-
Amounts available for appropriation	\$ 21,315	\$ 21,315	\$ 22,537	\$ 1,222
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	-	-	-	-
Instructional - special education	-	-	-	-
Supporting services - operations & maintenance	-	-	-	-
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	-	-	-	-
Administration - business	-	-	-	-
Student transportation	-	-	-	-
Extracurricular	-	-	-	-
School food	-	-	-	-
Capital outlay	101,323	101,323	70,460	30,863
Total charges to appropriations	\$ 101,323	\$ 101,323	\$ 70,460	\$ 30,863
Net change in fund balance			\$ (47,923)	
Fund balance - beginning of the year			\$ 80,008	
Fund balance - end of the year			\$ 32,085	

Fortine Public School, Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Retirement			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 23	\$ 23	\$ 71	\$ 48
County revenue	55,090	55,090	55,090	-
State revenue	-	-	-	-
Amounts available for appropriation	<u>\$ 55,113</u>	<u>\$ 55,113</u>	<u>\$ 55,161</u>	<u>\$ 48</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 38,465	\$ 38,465	\$ 57,927	\$ (19,462)
Instructional - special education	5,254	5,254	4,993	261
Supporting services - operations & maintenance	3,452	3,452	-	3,452
Supporting services - educational media services	-	-	-	-
Administration - general	-	-	-	-
Administration - school	4,494	4,494	-	4,494
Administration - business	5,128	5,128	-	5,128
Student transportation	6,107	6,107	-	6,107
Extracurricular	260	260	137	123
School food	4,251	4,251	4,354	(103)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 67,411</u>	<u>\$ 67,411</u>	<u>\$ 67,411</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (12,250)</u>	
Fund balance - beginning of the year			<u>\$ 25,720</u>	
Fund balance - end of the year			<u><u>\$ 13,470</u></u>	

Fortine Public School, Lincoln County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 545,306	\$ 75,933	\$ 22,537	\$ 55,161
Combined funds (GASBS 54) revenues	1,743	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 547,049</u>	<u>\$ 75,933</u>	<u>\$ 22,537</u>	<u>\$ 55,161</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 533,524	\$ 76,447	\$ 70,460	\$ 67,411
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 533,524</u>	<u>\$ 76,447</u>	<u>\$ 70,460</u>	<u>\$ 67,411</u>

Fortine Public School, Lincoln County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 197,131	\$ 197,131	0%	\$ 286,859	69%
July 1, 2012	\$ -	\$ 279,205	\$ 279,205	0%	\$ 355,094	79%

Changes in plan provisions

The district decreased the retirement age from 62 to 60.

The discount rate decreased from 1.64% to 0.17%.

SUPPLEMENTAL INFORMATION

Fortine Public Schools
 Lincoln County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2014

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Fund 1: Pre K 1-2	\$ 351	\$ 1,490	\$ 1,486	\$ 355
Fund 2: 3-4	220	1,159	1,093	286
Fund 3: 5-6	210	898	723	385
Fund 4: 7-8	1,261	-	935	326
Fund 5: Title I	265	14,205	7,082	7,388
Fund 6: Green House	5,160	5,490	4,823	5,827
Fund 7: Student Council	1,370	8,150	9,718	(198)
Fund 8: Kindergarten	633	2,620	1,980	1,273
Fund 9: Garage Sale	421	80	56	445
Fund 10	0.00	1,000.00	0.00	1,000.00
Total	\$ <u>9,891</u>	\$ <u>35,092</u>	\$ <u>27,896</u>	\$ <u>17,087</u>

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Fortine Public School
Lincoln County
Fortine, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fortine Public School, Lincoln County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fortine Public School's basic financial statements and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fortine Public School, Lincoln County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fortine Public School, Lincoln County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Fortine Public School's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider significant deficiencies listed as item 2014-001.

2014-001 Internal Control Weaknesses

Condition:

The following controls weaknesses were found when testing the operating controls of the Extracurricular Activities and School Food/Summer Recreation Programs:

1. Receipts for extracurricular activity were not issued for all monies collected.
2. Extracurricular fund raising was not supported by sales documentation.
3. Summer recreation program receipts were not all deposited with the potential of expenses made from the cash collections, thus circumventing the receipting and disbursing processes.
4. The accounting clerk receipts monies, makes deposits, posts receipts and reconciles bank statements both in the extracurricular and miscellaneous checking accounts which includes student activity, food services, summer recreation and preschool.

Context:

The auditor performed a test of the internal control procedures for both the Extracurricular and School Food/Summer Recreation using inquiry, observation, and documentation.

Criteria:

Internal control procedures should be in place to ensure all monies are properly receipted and deposited including segregation of duties, accountability of receipt numbers and support for monies turned in for deposit.

Effect:

The internal control procedures were weak with regards to student activity fund/ account receipting and reporting.

Cause:

This is a small district with limited staff to segregate the duties.

Recommendation:

We recommend the District implement procedures to improve receipting process and segregate duties to the extent possible.

Auditee Response:

The segregation of duties is due to the small size of our district and will continue to be an issue as we do not have the adequate resources to meet this requirement, but will continue to compensate with active monitoring. We have made improvements to the receipting process, and will continue to require the properly documents to support receipts.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fortine Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fortine Public School's Response to Findings

Fortine Public School's response to the findings identified in our audit is described above. Fortine Public School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

June 15, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Fortine Public School
Lincoln County
Fortine, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Credit Card Expenditures	Implemented
Internal Control Weaknesses	Repeated

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

June 15, 2015