

FROID SCHOOL DISTRICT NO. 65

**ROOSEVELT COUNTY
FROID, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.
PO BOX 1980
Billings, Montana 59103

Froid School District No. 65
Roosevelt County
Froid, Montana 59226

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 13
INDEPENDENT AUDITOR'S REPORT	14 - 15
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	16
Statement of Activities	17
Balance Sheet – Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22 - 30
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Other Post-Employment Benefits Other Than Pensions (OPEB)	31
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – All Budgeted Major Funds	32 - 34
Notes to the Budget and Actual Schedule	35 - 36
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenses, and Balances Expendable Trust – Student Activity Funds	37
Schedule of Reported Enrollment	38
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>	39 - 40
SCHEDULE OF FINDINGS AND RESPONSES	41

Froid School District No. 65
Roosevelt County
Froid, Montana 59226

ORGANIZATION

BOARD OF TRUSTEES

Greg Sunwall	Chair
Melissa Elvsaas	Vice Chair
JD Anderson	Trustee
Rodney Luft	Trustee
Andrea Miller	Trustee

OFFICIALS

Roger Britton	Superintendent
Joyce Harve	District Clerk
Jery Taovs	County Superintendent
Ralph Patch	County Attorney

Introduction

Management's Discussion and Analysis

This section of the Froid School Districts Financial Statements present the management's discussion and analysis of the district's financial performance during the fiscal year (FY) ending June 30, 2014. This narrative overview and analysis of the financial activities of the Froid Districts includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- ✦ The Froid School Districts assets exceeded the district liabilities at the close of FY 2014 by \$2,220,531.
- ✦ The overall revenues from all sources for the Froid School Districts for FY 2014 were \$1,897,550 which represented a 20.3% or \$319,873 increase from FY 2013.
- ✦ State aid makes up 54.1% (50% in FY 2013) of the total district revenue, while property taxes make up 22.3% (31.3% in FY 2013) of the Froid School Districts revenue in FY 2014.
- ✦ The Froid School Districts expenses for FY 2014 were \$1,774,010 which represents a 12.8% (\$201,294) increase from FY 2013.
- ✦ The Froid School Districts revenues exceeded expenses for FY 2014 by \$123,541.
- ✦ The Froid School Districts capital assets (land, buildings, machinery, and equipment) are free of any debt and increased 77% in FY 2014 mainly due to an addition to the district buses.
- ✦ The Districts net position increased by 9.6% at the close of FY 2014.
- ✦ Total expenses for the district separated by category for FY 2014 showed that 54% was spent for instruction, 14% for operation & maintenance, 14% for transportation, and 10% was used for support services.
- ✦ The districts had total governmental fund balances of \$1,652,432 at the end of FY 2014 which was a 4.2% decrease.
- ✦ Revenue broken down by category showed that local property taxes were down 7.6%, state aid increased by 40.6%, and county revenue was up 67.8%.
- ✦ Instruction expenses increased by 25.9%, student transportation costs were up 12.4%, operation & maintenance costs were up 29%, and support service costs were up 10.8%.
- ✦ The overall financial position of the Froid Districts improved in FY 2014 and is very strong.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Overview of the Froid School District Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Froid K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also, contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Froid School Districts finances in a manner similar to a private-sector business. This broad overview will be accomplished using a *statement of net position* and a *statement of activities*. Each statement will distinguish between governmental and business type activities and between the total governmental and business type activities of the school district.

The *statement of net position* presents information on all of the assets and liabilities of the Froid School Districts, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Froid School Districts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Froid School Districts principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government fall into the governmental activity category including instruction, support services, general school and business administrative services, operation and maintenance, student transportation, community services, and other expenditures. The Froid Districts do not operate any business-type activities.

Fund-based Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The Froid Districts, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Froid Districts can be divided into three categories: governmental, proprietary, and fiduciary funds.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Governmental funds

Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Board of Trustees of the Froid Schools. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Froid Elementary District and High School District are recognized by state law as separate entities, but for the purposes of this discussion are combined. Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Elementary Bus Depreciation Fund, and High School Bus Depreciation Fund as they were considered to be the major funds in FY 2014. The other governmental funds are combined into a single aggregated presentation.

The Froid Districts adopt an annual appropriated budget for its general funds; select special revenue, debt service, and building reserve funds as required by state law. A budgetary comparison is provided for the General Fund, the Elementary Bus Depreciation Fund, and the High School Bus Depreciation Fund.

Proprietary funds

Proprietary funds statements offer short-term and long-term financial information about the activities the Districts operate similar to a business. Enterprise funds account for activities for which a fee is charged to external users and internal service funds account for activities that provide goods or services to other funds. The Froid Districts do not operate any proprietary funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the Froid School Districts. Student activity accounts and scholarship trusts are the most common fiduciary funds in school districts. The Froid School Districts fiduciary funds are the Student Activity Account Fund.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Notes to the Financial Statements

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *other supplementary information* concerning the official student enrollment and student activity funds. The other supplementary information can found later in this document.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the Froid School Districts, assets exceeded liabilities by \$2,220,531 at the close of FY 2014. The net position at the end of FY 2014 showed a 9.6% increase from the close of FY 2013. This increase was due to a variety of factors occurring in the districts. The largest portion of the 9.6% increase was in capital assets which increased 77%. In addition, current assets decreased 4.7% and liabilities decreased by 4.6%. The decrease in liabilities was mainly due to a decrease in long-term liabilities. The increase in capital assets was mainly due to an addition to the districts buses. The districts net position increased by 9.6% or \$194,973 in FY 2014.

Overall Financial Position of the District for FY 2014

The overall financial position of the Froid School Districts during FY 2014 improved significantly which added to the already strong financial condition of the districts. The net position of the districts increased 9.6% mainly due to a 77% increase in capital assets (an addition to the districts buses). District liabilities decreased by 4.6% which was mostly the result of a decrease in long term liabilities. The district general fund budget for FY 2014 showed that the district actually collected less revenue than was expected in the final budget. However, the difference was only \$15,762 from the original and final budgets to the actual amount collected. The elementary district collected \$23,203 less than anticipated and the high school district collected \$7,441 more than was expected. Most of the reduction in the elementary district was due to a lower amount of state revenue, while the high school district collected more in state revenue than was expected. The amounts collected and budgeted for district levies were nearly the same. Total expenditures in the general fund budget matched what was budgeted for in the original and final budgets. The original and final budgets included more expenses than revenue which was the same result in actual expenses and revenue. The result was a decrease in the general fund balance. However, the overall financial position of the district is excellent and improving.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

The following chart presents the net position information on the Froid Districts.

Net Position of the Froid School Districts

	GOVERNMENTAL ACTIVITIES			
	FY 2014	FY 2013	Change	% Change
Current and Other Assets	\$1,679,667	\$1,762,575	(\$82,908)	-4.7%
Capital Assets	\$628,519	\$354,830	\$273,689	77.1%
Total Assets	\$2,308,186	\$2,117,405	\$190,781	9.0%
Liabilities				
Current Liabilities	\$4,594	\$4,659	(\$65)	-1.4%
Long Term Liabilities	\$83,061	\$87,188	(\$4,127)	-4.7%
Total Liabilities	\$87,655	\$91,847	(\$4,192)	-4.6%
Net Position				
Investment in Capital Assets Net of related debt	\$628,519	\$354,830	\$273,689	77.1%
Restricted	\$844,577	\$1,060,695	(\$216,118)	-20.4%
Unrestricted	\$747,435	\$610,033	\$137,402	22.5%
Total Net Position	\$2,220,531	\$2,025,558	\$194,973	9.6%

A portion of the net position of the Froid Districts at the close of FY 2014 (28.3% was 17.5% in FY 2013) reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Froid Districts have no related debt. The Froid School Districts use these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending.

A portion of the net position of the Froid School Districts (33.7% in FY 2014, was 30.1% in FY 2013) represent resources that are not subject to external restrictions on how they may be used. These *unrestricted assets* may be used to meet the ongoing obligations of the school district to citizens and creditors. Funds which are subject to external restrictions for use are called *restricted assets* which accounted for 38% (was 52.3% in FY 2013) of the total position in FY 2014. At the end of FY 2014, the Froid School Districts were able to report a positive balance for both the government as a whole, as well as for governmental activities. The Froid School Districts net position increased by \$194,973 during FY 2014.

Governmental activities

The total net position derived from governmental activities for the Froid Districts at the beginning of the FY 2014 was \$2,025,558. The net position for the Froid School Districts at the end of FY 2014 was \$2,220,531 which was an increase of \$194,973 or 9.6%.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

District Wide - Statement of Activities

	GOVERNMENTAL ACTIVITIES			
Revenues	FY 2014	FY 2013	Change	% Change
Program revenues:				
Charges for Services	\$29,206	\$29,064	\$142	0.5%
Operating Grants & Contributions	\$201,351	\$208,280	(\$6,929)	-3.3%
General revenues				
Property taxes	\$424,122	\$458,894	(\$34,772)	-7.6%
Interest	\$3,701	\$4,074	(\$373)	-9.2%
State	\$1,027,478	\$730,924	\$296,554	40.6%
County	\$170,586	\$101,686	\$68,900	67.8%
Federal	\$3,735	\$30,974	(\$27,239)	-87.9%
All other	\$37,371	\$13,781	\$23,590	171.2%
Total Revenues	\$1,897,550	\$1,577,677	\$319,873	20.3%
Expenses:				
Instruction	\$951,108	\$755,678	\$195,430	25.9%
Support Services	\$171,696	\$154,904	\$16,792	10.8%
Operation & Maintenance	\$253,745	\$196,664	\$57,081	29.0%
Student Transportation	\$191,808	\$170,716	\$21,092	12.4%
Food Services	\$85,536	\$75,199	\$10,337	13.7%
Library Services	\$43,965	\$42,770	\$1,195	2.8%
Extracurricular	\$61,848	\$61,785	\$63	0.1%
Transfers		\$115,000	(\$115,000)	-100.0%
Gain(loss) on Assets	\$14,303		\$14,303	0.0%
Total expenses	\$1,774,010	\$1,572,716	\$201,294	12.8%
Increase in Net Position	\$123,541	\$4,961	\$118,580	2390.2%
Prior Period Adjustment	\$71,432			
Beginning Net Position	\$2,025,558	\$2,020,597	\$4,961	0.2%
Ending Net Position	\$2,220,531	\$2,025,558	\$194,973	9.6%

Changes in district wide activities from FY 2013 to FY 2014 include:

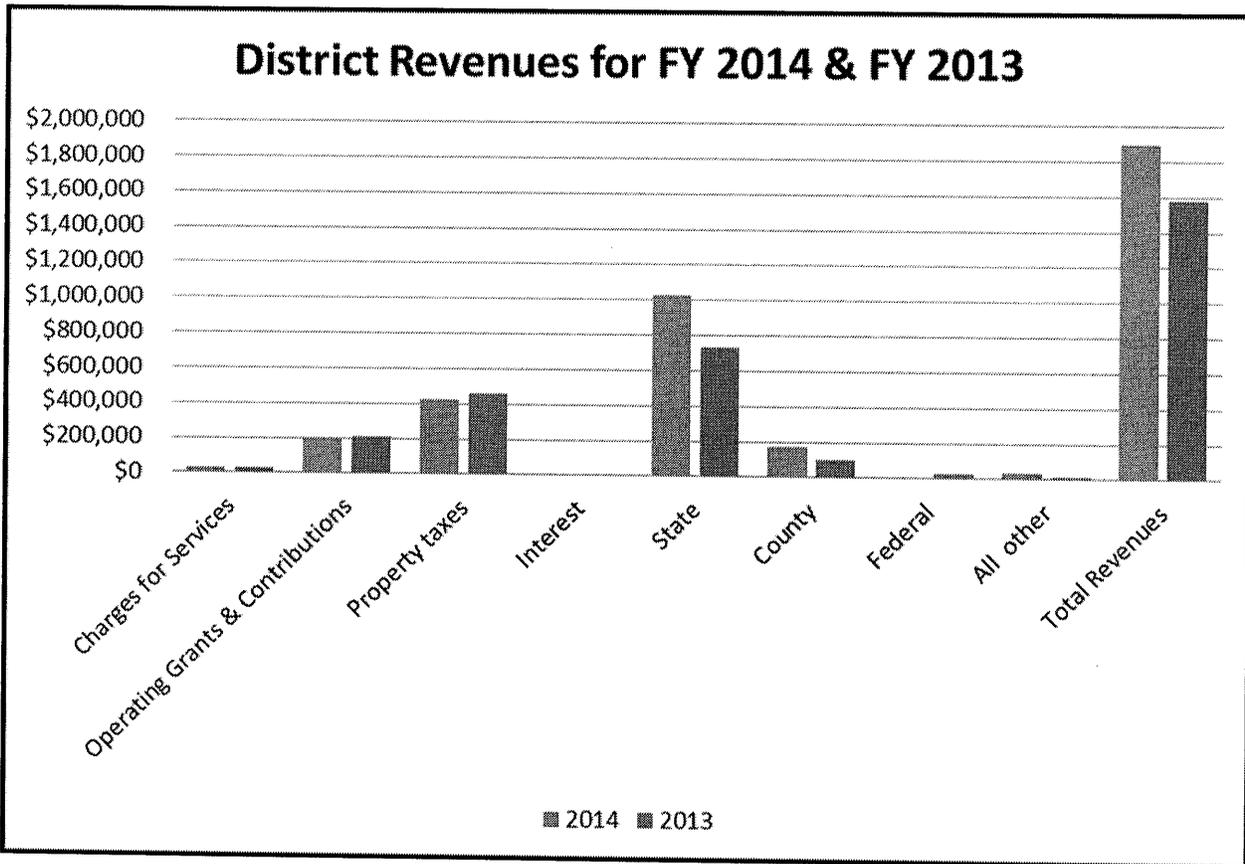
- ✦ Total revenues for the district were up 20.3% or \$319,873.
- ✦ Total expenses for the district were up 12.8 % or \$201,294.
- ✦ Student transportation costs were up 12.4% or \$21,092.
- ✦ Extracurricular expenses were up .1% or \$63.
- ✦ Operation and Maintenance costs were up 29% or \$57,081.
- ✦ Food service costs were up 13.7% or \$10,337.
- ✦ Library services increased by 2.8% or \$1,195.
- ✦ Revenue from property taxes was down 7.6% or \$34,772.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

- ⬇ State Revenue increased 40.6% or \$296,554.
- ⬇ Federal Revenue decreased 87.9% or \$27,239.
- ⬇ Interest earnings decreased by 9.2% or \$373.
- ⬆ County revenue was up 67.8% or \$68,900.
- ⬆ District instruction expenses were up 25.9% or \$195,430.
- ⬆ Support Service expenses were up 10.8% or \$16,792.
- ⬇ Operating grants and contributions were down 3.3% or \$6,929.
- ⬆ Charges for services increased .5% or \$142.
- ⬆ Net Position in the district increased by 9.6% or \$194,973.

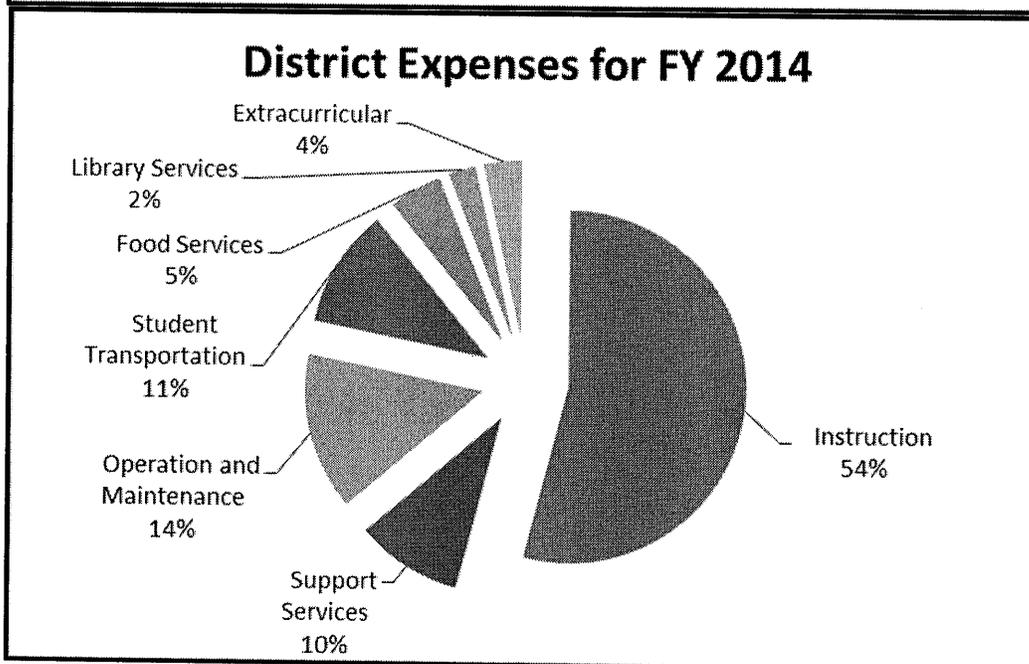
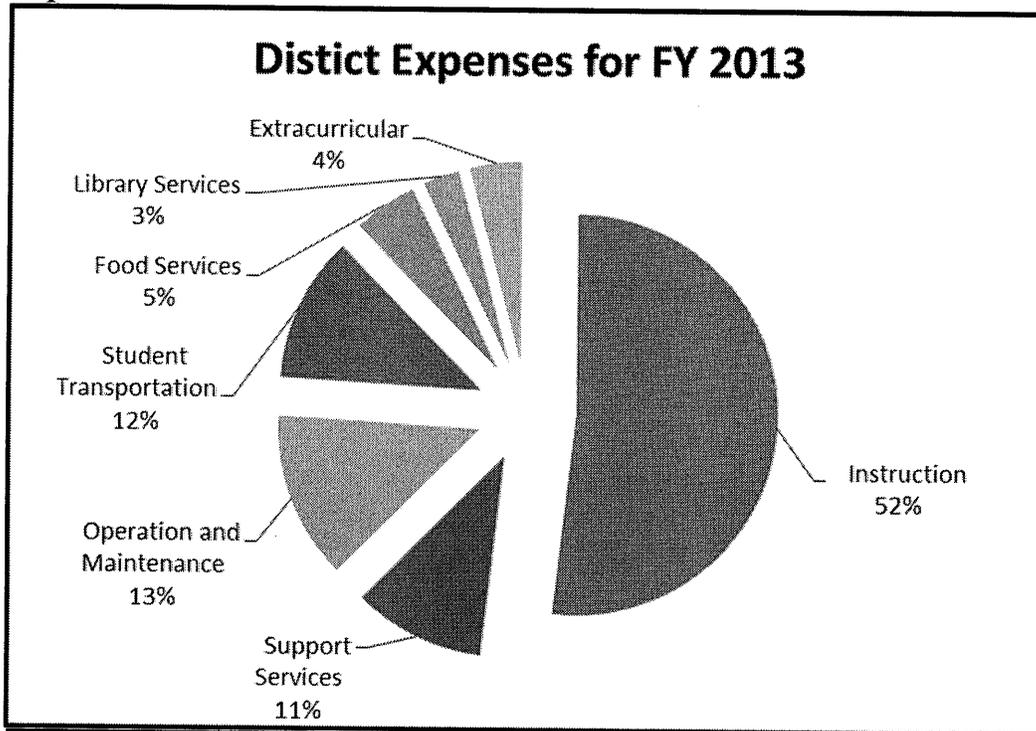
Revenue by Source – Governmental Activities

The bar graph below shows that the state was the largest source of revenue for the Froid Districts followed by property taxes for FY 2013 and FY 2014. State sources of revenue increased in FY 2014 along with county revenue, all other revenue, and total revenue. While property tax revenue, federal revenue, and operating grants and contributions all decreased. Operating grants/contributions remained the third largest source of revenue for the district followed by county revenue and federal revenue. Total revenue in FY 2014 increased for the districts. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.



Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

District Expenses



The charts listed above present the district expenses by category and percentage. The pie graphs for the district's expenses show the allocation of resources for specific purposes in the Froid Schools during FY 2013 and FY 2014. The graphs illustrates the major expenditure areas, with instruction costs accounting for 52% of the district expenses in FY 2013 and 54% in FY 2014, operation & maintenance accounting for 13% and 14%, transportation was 12% and 11%, and support services were 11% and 10%. During FY 2014 the major changes were increases of 2%

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

for instruction and 1% for operation and maintenance, while transportation, library, and support services decreased 1%.

Financial Analysis of the Government's Funds

Fund accounting is mandated by Montana State law and is used by the Froid School District to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the *governmental funds* of the Froid School Districts is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school districts. In particular, *unreserved fund balance* may serve as a useful measure of the net resources available for spending at the end of the year.

At the end of FY 2013, the governmental funds of the school districts reported a combined ending fund balance of \$1,724,134 and at the end of FY 2014 the fund balance was \$1,652,432 which represents a 4.2% decrease. Approximately 49.9% (\$824,803) of this total amount constitutes *unassigned fund balance* and 50% (\$827,628) *restricted for school operations*. The unassigned fund balance is available for spending at the discretion of the Board of Trustees.

The general fund is the main operating fund of the Froid School Districts. At the end of FY 2013 the General Fund had a balance of \$701,880 and at the close of FY 2014 the balance was \$824,803 which represented a 17.5% increase in the balance of the fund. The total fund balances in the Districts decreased \$71,703 from the end of FY 2013 to the end of the FY 2014. The actual fund balance sheet can be found later on in this document.

Governmental Fund Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The governmental funds balance sheet for fiscal years 2013 and 2014 are comprised of major funds and all other funds. The General Fund, Elementary Bus Depreciation Fund, and High School Bus Depreciation Fund were considered to be major funds in FY 2014. The Other Funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2013 and FY 2014 demonstrates that the Froid School Districts are in excellent financial condition. The Districts have considerable amounts of cash and investments in the major funds which make up 74.3% (79.6% in FY 2013) of the total fund balances in FY 2014. The Districts have a minimal amount of liability attached to these same funds. The Froid Districts fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur. The actual fund balance sheet can be found later in this report.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major fund categories are General Fund, Elementary Bus Depreciation Fund, and High School Bus Depreciation Fund in FY 2014. The other funds category includes all the remaining governmental funds that the districts are utilizing. State sources of revenue (76.8% in FY 2014 was 70.8% in FY 2013) and the district levy (22.8% in FY 2014 was 26% in FY 2013) are the major revenue sources for the district general fund category. The major expenditure in the general fund is instruction. Instruction expenditures make up 58% (59% in FY 2013) of the general fund total costs for FY 2014. Operation and maintenance along with general administrative services rank 2 and 3 respectively for general fund expenditures. The total fund balances decreased 4.2% or \$71,703 from FY 2013 to FY 2014. The statement of revenues, expenditures, and changes in fund balances can be found later in this report.

General Fund Budgetary Highlights

The district general fund budget for FY 2014 showed that the district actually collected less revenue than was expected in the final budget. However, the difference was only \$15,762 from the original and final budgets to the actual amount collected. The elementary district collected \$23,203 less than anticipated and the high school district collected \$7,441 more than was expected. Most of the reduction in the elementary district was due to a lower amount of state revenue, while the high school district collected more in state revenue than was expected. The amounts collected and budgeted for district levies were nearly the same. Total expenditures in the general fund budget matched what was budgeted for in the original and final budgets. The original and final budgets included more expenses than revenue which was the same result in actual expenses and revenue. However, the general fund actually increased the fund balance due to transfers and prior period adjustments.

Capital Assets and Long-term Debt

Capital assets

The investment by the Froid School Districts in capital assets for governmental activities as of June 30, 2014, was \$628,519 which represented a 77.1% increase from June 30, 2013. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The capital assets of the Froid School Districts have no related debt. The increase in capital assets was mainly due to an addition to the district buses.

Long-term debt

At the end of FY 2014 the Froid School Districts had no bonded debt outstanding. The district did have long-term liabilities of \$39,581 for compensated absences of employees and \$48,074 for Other Post-Employment Benefits.

Froid Public School District No. 65
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
July 01, 2013 - June 30, 2014

Economic Factors and Fiscal Year Budgets for 2013 and 2014

- ✦ The population of Roosevelt County increased by 8.7% or about 907 residents from April 1, 2010 to July 1, 2014. This compares to the Montana average of a 3.5% increase.
- ✦ Residents of Roosevelt County under the age of 18 made up 31% of the population in 2013 compared to Montana at 22.1%.
- ✦ Student enrollment numbers are converted to “Average Number (of students) Belonging” and are used to fund the district. Enrollment numbers varied at each level from FY 2013 to FY 2014: the elementary district increased 9 students from 65 to 74 and the high school district decreased 2 students from 33 to 31. The net change for the districts was an increase of 7 students or 7.1%.
- ✦ The unemployment rate for Roosevelt County was 8.2% in June 2012 and 5.9% in June 2014. This compares to Montana rates of 6.1% in June 2012 and 4.7% in June 2014.
- ✦ The poverty rate for Roosevelt County was 26.6% from 2009 to 2013, when Montana was at 15.2%.
- ✦ The median household income for Roosevelt County from 2009 to 2013 was \$36,920 while Montana was at \$46,230.
- ✦ State funding for Montana schools increased for FY 2014.

All of these and other factors were considered in preparing the FY 2013 and FY 2014 budgets for the Froid School Districts.

Requests for Information

The information and data included in this management’s discussion and analysis report is designed to provide a general overview of the finances of Froid School Districts for all those with an interest in the government’s finances. Questions concerning any of the information contained in this report should be addressed to the Froid administration and business office located in Froid, Montana.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Froid School District No. 65
Roosevelt County
Froid, Montana 59226

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 Froid School District No. 65 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 Froid School District No. 65 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 - 13) and the schedule of funding for other post-employment benefits other than pensions (pages 31) and budgetary comparison information (pages 32 - 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 Froid School District No. 65's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 37) and schedule of reported enrollment (page 38) 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 15, 2015 on our consideration of Froid School District No. 65 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 Froid School District No. 65 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
May 15, 2015

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,652,430
Taxes Receivable	<u>27,234</u>
Total Current Assets	<u>1,679,664</u>
Noncurrent Assets:	
Capital Assets:	
Land	11,337
Net Depreciable Assets	<u>617,182</u>
Total Noncurrent Assets	<u>628,519</u>
Total Assets	<u>\$ 2,308,183</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	\$ 4,594
Total Current Liabilities	<u>4,594</u>
Noncurrent Liabilities:	
Long-Term Obligations	31,787
Compensated Absences	<u>34,987</u>
Total Noncurrent Liabilities	<u>66,774</u>
Total Liabilities	<u>71,368</u>
NET POSITION:	
Net investment in capital assets	628,519
Restricted	844,575
Unrestricted (Deficit)	<u>763,721</u>
Total Net Position	<u>2,236,815</u>
Total Liabilities and Net Position	<u>\$ 2,308,183</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	\$ 952,414	\$ -	\$ 87,665	\$ (864,749)
Educational Media Services	43,965	-	-	(43,965)
General Administrative Services	171,696	-	-	(171,696)
Operation & Maintenance Services	253,745	14,400	-	(239,345)
Transportation Services	192,161	-	88,785	(103,376)
School Food Services	85,537	14,806	24,902	(45,829)
Extracurricular	61,848	-	-	(61,848)
Total Governmental Activities	<u>1,761,366</u>	<u>29,206</u>	<u>201,352</u>	<u>(1,530,808)</u>
GENERAL REVENUES				
District Levies				424,120
State Equalization				423,479
Other State Revenues				604,000
County				170,586
Federal				3,734
Interest				3,701
Other				37,371
Gain (loss) on Sale of Assets				<u>(14,303)</u>
Total General Revenues				<u>1,652,688</u>
Change in Net Position				121,880
Net Position				
Beginning of the Year				2,025,558
Prior Period Adjustments				<u>89,377</u>
End of the Year				<u>\$ 2,236,815</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	MAJOR				
	General	Bus Depreciation (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 824,803	\$ 304,665	\$ 98,554	\$ 424,408	\$ 1,652,430
Taxes Receivable	17,597	2,443	1,368	5,826	27,234
Total Assets	\$ 842,400	\$ 307,108	\$ 99,922	\$ 430,234	\$ 1,679,664
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes Receivable	17,597	2,443	1,368	5,826	27,234
Total Deferred Inflows of resources	17,597	2,443	1,368	5,826	27,234
FUND BALANCE:					
Fund Balances:					
Restricted	-	304,665	98,554	424,408	827,627
Unassigned:	824,803	-	-	-	824,803
Total Fund Balance	824,803	304,665	98,554	424,408	1,652,430
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 842,400	\$ 307,108	\$ 99,922	\$ 430,234	\$ 1,679,664

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,652,430
Governmental Capital Assets	628,519
Long-term Liabilities	
Long-Term Obligations	(31,787)
Compensated Absences	(39,581)
Unavailable Property Taxes Receivable	27,234
Net Position of Governmental Activities	\$ 2,236,815

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	Bus Depreciation (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	Total Governmental Funds
REVENUES:					
District Levies	\$ 281,633	\$ 30,429	\$ 23,735	\$ 99,530	\$ 435,327
Interest	1,486	878	452	885	3,701
Charges for Services	-	-	-	29,206	29,206
Other	198	-	-	37,173	37,371
County	-	-	-	217,391	217,391
State	948,273	-	-	146,520	1,094,793
Federal	3,550	56	24	87,337	90,967
Total Revenues	1,235,140	31,363	24,211	618,042	1,908,756
EXPENDITURES:					
Current					
Instructional Services	703,996	-	-	234,027	938,023
Educational Media Services	37,184	-	-	6,781	43,965
General Administrative Services	163,627	-	-	14,959	178,586
Operation & Maintenance Services	179,223	-	-	68,728	247,951
Transportation Services	-	-	-	149,581	149,581
School Food Services	30,204	-	-	54,358	84,562
Extracurricular	50,353	-	-	6,784	57,137
Total Current Outlays	1,164,587	-	-	535,218	1,699,805
Capital Outlay	49,229	78,000	200,025	-	327,254
Total Expenditures	1,213,816	78,000	200,025	535,218	2,027,059
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,324	(46,637)	(175,814)	82,824	(118,303)
OTHER FINANCING SOURCES/USES					
Fund Transfers In	55,000	-	-	-	55,000
Fund Transfers (Out)	-	(25,000)	(20,000)	(10,000)	(55,000)
Total Other financial Sources/Uses	55,000	(25,000)	(20,000)	(10,000)	-
NET CHANGES IN FUND BALANCES	76,324	(71,637)	(195,814)	72,824	(118,303)
FUND BALANCE:					
Beginning of the Year	701,880	376,302	294,368	351,584	1,724,134
Prior Period Adjustments	46,599	-	-	-	46,599
End of the Year	\$ 824,803	\$ 304,665	\$ 98,554	\$ 424,408	\$ 1,652,430

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

Froid School District No. 65
Roosevelt County
Froid, Montana 59226

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		\$	(118,303)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(11,207)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(64,447)		
(Increase) decrease in Other Post Employment Benefits	(4,122)		
(Increase) decrease in compensated absence liability	<u>7,008</u>	(61,561)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	327,254		
Gain loss on sale of assets	<u>(14,303)</u>	<u>312,951</u>	
Change in net position reported on the Statement of Activity		\$	<u>121,880</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 25,162	\$ 122,298
Total Assets	<u>25,162</u>	<u>122,298</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	122,298
Total Liabilities	<u>-</u>	<u>122,298</u>
NET POSITION:		
Restricted for Endowment	354	
Restricted for Student Activities	24,808	
Total Net Position	<u>\$ 25,162</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	\$ 53,741
Contributions to Endowment	1
Total Additions	<u>53,742</u>
DEDUCTIONS:	
Expenses of Student Activities	<u>57,460</u>
Total Deductions	<u>57,460</u>
CHANGE IN NET POSITION	(3,718)
NET POSITION:	
Beginning of the Year	100,311
Prior Period Adjustments	(71,431)
End of the Year	<u>\$ 25,162</u>

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

FROID SCHOOL DISTRICT NO. 65

NOTES TO FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Froid School District No. 65 (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.

FROID SCHOOL DISTRICT NO. 65

NOTES TO 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 and
- 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 and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

FROID SCHOOL DISTRICT NO. 65

NOTES TO 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. In the governmental fund financial statements the general fund also includes the activities of the impact aid fund and the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary and High School Bus Depreciation Fund – These funds are used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by 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. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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 Roosevelt 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.

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:

FROID SCHOOL DISTRICT NO. 65

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	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. 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 School District employees shall accrue 10 days of sick leave each year and 5 days personal leave. At the end of the year unused personal leave converts to sick leave. Sick leave is limited to 60 days. After 60 days of sick leave is accumulated unused personal leave is paid out at \$80 per day and unused sick leave is paid out at 25% of the employee's current salary.

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 \$4,594 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:

<u>Purpose</u>	<u>Restricted</u>
Instructional - Regular	\$ 4,754
Operations and Maintenance	4,992
Student Transportation	196,454
School Food	4,332
Third Party Grantor Restrictions	29,566
Employer Retirement Benefits	91,467
Future Technology	35,730
Future Capital Costs	460,332
Total	<u>\$ 827,627</u>

FROID SCHOOL DISTRICT NO. 65

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

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 Roosevelt County. The County also serves as cashier and treasurer for the School District for tax collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the Roosevelt 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 Roosevelt County Treasurer. No service charges have been recorded by the School District or the Roosevelt County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,652,430	\$ 147,460	\$ 1,799,890

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

	<u>Amount</u>
Cash on Hand	\$ 500
Demand Accounts	24,808
County Investment Pool	<u>1,774,582</u>
Total	<u>1,799,890</u>

Cash resources of the School District are held and managed by the Roosevelt County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Roosevelt County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of money market accounts 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 Roosevelt County government. Because of the custodial involvement of the Roosevelt County government, and the commingling of cash in County deposits in the name of the Roosevelt County Treasurer, full risk classifications according to GASB 40 are available in the Roosevelt County's annual report. There is no known maturity and credit rating of the Roosevelt County Investment Pool. The cash of the extracurricular funds is held separately by the School District, not at Roosevelt County. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

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 \$1,647,087 for the Elementary School District and \$3,537,572 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:

FROID SCHOOL DISTRICT NO. 65

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

Elementary Fund	Mill Levies	Taxes
		Receivable
General*	78.50	\$ 10,286
Transportation	13.64	1,878
Bus Depreciation*	18.76	2,443
Building Reserve	6.07	775
<u>High School Fund</u>		
General*	44.07	7,311
Transportation	11.44	1,895
Bus Depreciation*	6.65	1,368
Technology	2.26	376
Building Reserve	5.65	902
Total	<u>187.04</u>	<u>\$ 27,234</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:

Governmental Activities:	Balance July 1, 2013	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2014
<u>Non-depreciable:</u>					
Land	\$ 1,337	\$ 10,000	\$ 0	\$ 0	\$ 11,337
<u>Depreciable:</u>					
Buildings	\$ 472,171	\$ 0	\$ 0	\$ 0	\$ 472,171
Improvements other than buildings	37,233	0	0	26,166	63,399
Machinery and equipment	727,029	328,254	66,500	0	988,783
Total Depreciable	<u>\$ 1,236,433</u>	<u>\$ 328,254</u>	<u>\$ 66,500</u>	<u>\$ 26,166</u>	<u>\$ 1,524,353</u>
<u>Accumulated Depreciation:</u>					
Buildings	\$ (400,550)	\$ (179)	\$ 0	\$ 0	\$ (400,729)
Improvements other than buildings	(16,333)	(2,408)	0	(981)	(19,722)
Machinery and equipment	(466,057)	(61,860)	(41,197)	0	(486,720)
Total Depreciation	<u>\$ (882,940)</u>	<u>\$ (64,447)</u>	<u>\$ (41,197)</u>	<u>\$ (981)</u>	<u>\$ (907,171)</u>
Net Depreciable Assets	<u>353,493</u>	<u>263,807</u>	<u>25,303</u>	<u>25,185</u>	<u>617,182</u>
Net General Capital Assets	<u>\$ 354,830</u>	<u>\$ 273,807</u>	<u>\$ 25,303</u>	<u>\$ 25,185</u>	<u>\$ 628,519</u>

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

Function	Amount
Instructional	\$ 7,857
School Administration	2,503
Operation & Maintenance	5,657
Transportation	42,440
School Food	1,279
Extracurricular	4,711
Total Depreciation Expense	<u>\$ 64,447</u>

NOTE 5. CHANGES IN LONG-TERM DEBT

5. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

Governmental Activities	Balance July 1, 2013	New Debt and Other Additions	Principal Payments Reductions	Balance June 30, 2014	Due within One Year
<u>Other Liabilities:</u>					
Compensated Absences	\$ 46,589	\$ 0	\$ 7,008	\$ 39,581	\$ 4,594
Other Post-Employment Benefits (OPEB)	45,258	4,122	17,593	31,787	0
Total Other Liabilities	<u>\$ 91,847</u>	<u>\$ 4,122</u>	<u>\$ 24,601</u>	<u>\$ 71,368</u>	<u>\$ 4,594</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 91,847</u>	<u>\$ 4,122</u>	<u>\$ 24,601</u>	<u>\$ 71,368</u>	<u>\$ 4,594</u>

FROID SCHOOL DISTRICT NO. 65

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

NOTE 6. DEFERRED INFLOWS OF RESOURCES

6. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 10,286	Taxes Receivable
Transportation	1,878	Taxes Receivable
Bus Depreciation*	2,443	Taxes Receivable
Building Reserve	775	Taxes Receivable
<u>High School Fund</u>		
General*	7,311	Taxes Receivable
Transportation	1,895	Taxes Receivable
Bus Depreciation*	1,368	Taxes Receivable
Technology	376	Taxes Receivable
Building Reserve	902	Taxes Receivable
Total	<u>\$ 27,234</u>	

* Denotes Major Funds

NOTE 7. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 46,599	To include the inter-local agreement fund in general
Total	<u>\$ 46,599</u>	
* Denotes Major Funds		
Governmental Type Activities	25,185	To include PY fiduciary assets as part of general assets
Governmental Type Activities	17,593	OPEB adjustment
Total	<u>\$ 89,377</u>	
Fiduciary Funds		
Private-purpose Trusts	\$ (46,599)	To include the inter-local agreement fund in general
Private-purpose Trusts	(24,832)	To include PY fiduciary assets as part of general assets
Total	<u>\$ (71,431)</u>	

NOTE 8. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
Bus Depreciation*	25,000	HS inter-local agreement fund – allowable transfer
<u>High School Fund - From</u>		<u>High School Fund - To</u>
Bus Depreciation*	20,000	Inter-local agreement fund – allowable transfer
Technology	10,000	Inter-local agreement fund – allowable transfer
Total	<u>\$ 55,000</u>	

* 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 \$6,888 per member. 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 July 1, 2014 was as follows:

FROID SCHOOL DISTRICT NO. 65

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

Actuarial Accrued Liability (AAL)	\$ 31,787
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>31,787</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 866,481
UAAL as a percentage of covered payroll	4%

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, 2013.

Annual Required Contribution (ARC)	\$ 4,122
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	4,122
Contribution made	<u>0</u>
Increase in net OPEB obligation	4,122
Net OPEB obligation - beginning of year	45,258
Prior period adjustment	<u>(17,593)</u>
Net OPEB obligation - end of year	<u>\$ 31,787</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	61
Discount rate (average anticipated rate)	2.0%
Average Salary Increase	1.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

NOTE 10. OTHER COMMITMENTS

10. a. 1 CONSTRUCTION OR SIMILAR COMMITMENTS

The district has a commitment to complete a boiler project for \$449,571. A state quality schools grant for \$294,000 is being applied to this project.

NOTE 11. 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.

FROID SCHOOL DISTRICT NO. 65

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

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

NOTE 12. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.doa.state.mt.us	Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/doa/perb/prb.htm
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The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 82,988	\$ 91,299	\$ 112,868
PERS	<u>23,428</u>	<u>25,122</u>	<u>23,904</u>
Total	<u>\$ 106,416</u>	<u>\$ 116,421</u>	<u>\$ 136,772</u>

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Froid School District No. 65 is a member of the Roose-Valley 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 Froid School District No. 65, 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 Roosevelt 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.

FROID SCHOOL DISTRICT NO. 65

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS (OPEB)
Fiscal Year-Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2013	\$ -	\$ 31,787	\$ 31,787	0%	\$ 866,481	4%

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

Fiscal Year End- ed	Annual Cost	OPEB Contribution	% of annual OPEB cost Con- tribution	Net OPEB obligation
June 30, 2011	\$5,486	\$0	0.0%	\$39,812
June 30, 2012	\$2,630	\$0	0.0%	\$42,442
June 30, 2013	\$2,816	\$0	0.0%	\$45,258

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)			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 129,302	\$ 129,302	\$ 127,311	\$ 30,900	\$ 30,900	\$ 30,429
Interest	168	168	177	-	-	878
Other	-	-	-	-	-	-
State	366,249	366,249	344,797	-	-	-
Federal	-	-	232	-	-	56
Total Revenues	<u>495,719</u>	<u>495,719</u>	<u>472,517</u>	<u>30,900</u>	<u>30,900</u>	<u>31,363</u>
EXPENDITURES:						
Current						
Instructional Services			334,943	-	-	-
Educational Media Services			18,379	-	-	-
General Administrative Services			73,610	-	-	-
Operation & Maintenance Services			83,113	-	-	-
School Food Services			16,438	-	-	-
Extracurricular			9,920	-	-	-
Total Current Outlays			<u>536,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay			-	407,202	407,202	78,000
Total Expenditures	<u>536,403</u>	<u>536,403</u>	<u>536,403</u>	<u>407,202</u>	<u>407,202</u>	<u>78,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(40,684)</u>	<u>(40,684)</u>	<u>(63,886)</u>	<u>(376,302)</u>	<u>(376,302)</u>	<u>(46,637)</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			-			(25,000)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
NET CHANGES IN FUND BALANCES	<u>(40,684)</u>	<u>(40,684)</u>	<u>(63,886)</u>	<u>(376,302)</u>	<u>(376,302)</u>	<u>(71,637)</u>
FUND BALANCE:						
Beginning of the Year			130,894			376,302
End of the Year			<u>\$ 67,008</u>			<u>\$ 304,665</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

	Bus Depreciation (HS)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 23,530	\$ 23,530	\$ 23,735	\$ 155,929	\$ 155,929	\$ 154,322
Interest	-	-	452	110	110	87
Other	-	-	-	-	-	-
State	-	-	-	314,886	314,886	323,834
Federal	-	-	24	-	-	122
Total Revenues	<u>23,530</u>	<u>23,530</u>	<u>24,211</u>	<u>470,925</u>	<u>470,925</u>	<u>478,365</u>
EXPENDITURES:						
Current						
Instructional Services	-	-	-	-	-	309,123
Educational Media Services	-	-	-	-	-	18,805
General Administrative Services	-	-	-	-	-	67,372
Operation & Maintenance Services	-	-	-	-	-	60,820
School Food Services	-	-	-	-	-	13,766
Extracurricular	-	-	-	-	-	40,433
Total Current Outlays	-	-	-	-	-	<u>510,319</u>
Capital Outlay	<u>317,898</u>	<u>317,898</u>	<u>200,025</u>	-	-	-
Total Expenditures	<u>317,898</u>	<u>317,898</u>	<u>200,025</u>	<u>510,320</u>	<u>510,320</u>	<u>510,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(294,368)</u>	<u>(294,368)</u>	<u>(175,814)</u>	<u>(39,395)</u>	<u>(39,395)</u>	<u>(31,954)</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	-	-	(20,000)	-	-	-
Total Other financial Sources/Uses	-	-	<u>(20,000)</u>	-	-	-
NET CHANGES IN FUND BALANCES	<u>(294,368)</u>	<u>(294,368)</u>	<u>(195,814)</u>	<u>(39,395)</u>	<u>(39,395)</u>	<u>(31,954)</u>
FUND BALANCE:						
Beginning of the Year	-	-	294,368	-	-	90,427
End of the Year	-	-	<u>\$ 98,554</u>	-	-	<u>\$ 58,473</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.)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	198
State	110,000	110,000	156,099	60,000	60,000	123,543
Federal	-	-	-	-	-	-
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>156,099</u>	<u>60,000</u>	<u>60,000</u>	<u>123,741</u>
EXPENDITURES:						
Current						
Instructional Services	75,486	75,486	4,746	40,933	40,933	7,411
Educational Media Services	-	-	-	-	-	-
General Administrative Services	-	-	-	-	-	-
Operation & Maintenance Services	18,000	18,000	18,000	14,067	14,067	14,067
School Food Services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Total Current Outlays	<u>93,486</u>	<u>93,486</u>	<u>22,746</u>	<u>55,000</u>	<u>55,000</u>	<u>21,478</u>
Capital Outlay	16,514	16,514	16,514	5,000	5,000	5,000
Total Expenditures	<u>110,000</u>	<u>110,000</u>	<u>39,260</u>	<u>60,000</u>	<u>60,000</u>	<u>26,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>116,839</u>	<u>-</u>	<u>-</u>	<u>97,263</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>-</u>	<u>-</u>	<u>116,839</u>	<u>-</u>	<u>-</u>	<u>97,263</u>
FUND BALANCE:						
Beginning of the Year	-	-	-	-	-	-
End of the Year	-	-	<u>\$ 116,839</u>	-	-	<u>\$ 97,263</u>

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

FROID SCHOOL DISTRICT NO. 65

NOTES TO THE BUDGET AND 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 impact aid and inter-local agreement funds are non-budgeted funds.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

FROID SCHOOL DISTRICT NO. 65

NOTES TO THE BUDGET AND 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 (EL)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Sub-fund Impact Aid Fund (EL)</u>	<u>Sub-fund Impact Aid Fund (HS)</u>	<u>Sub-fund Inter-local Agreement Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:								
District Levies	\$ 127,311	\$ 154,322	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 281,633
Interest Earnings	177	87	0	0	575	647	0	1,486
Other	0	0	0	198	0	0	0	198
State Sources	344,797	323,834	156,099	123,543	0	0	0	948,273
Federal	232	122	0	0	1,194	2,002	0	3,550
Total Revenues	\$ 472,517	\$ 478,365	\$ 156,099	\$ 123,741	\$ 1,769	\$ 2,649	\$ 0	\$ 1,235,140
EXPENDITURES:								
Instructional Services	334,943	309,123	4,746	7,411	215	0	47,558	703,996
Educational Media	18,379	18,805	0	0	0	0	0	37,184
General Administrative	73,610	67,372	0	0	11,323	11,322	0	163,627
Operation & Maintenance	83,113	60,820	18,000	14,067	1,500	1,723	0	179,223
Extracurricular	9,920	40,433	0	0	0	0	0	50,353
School Food	16,438	13,766	0	0	0	0	0	30,204
Capital	0	0	16,514	5,000	0	27,715	0	49,229
Total Expenditures	\$ 536,403	\$ 510,319	\$ 39,260	\$ 26,478	\$ 13,038	\$ 40,760	\$ 47,558	\$ 1,213,816
Excess (Deficiency) of Revenue Over Expenditures	(63,886)	(31,954)	116,839	97,263	(11,269)	(38,111)	(47,558)	21,324
Fund Transfer In	0	0	0	0	0	0	55,000	55,000
Net Changes In Fund Balance	(63,886)	(31,954)	116,839	97,263	(11,269)	(38,111)	7,442	76,324
FUND BALANCE:								
Beginning of the Year	130,894	90,427	0	0	212,036	268,523	0	701,880
Prior Period Adjustment	0	0	0	0	0	0	46,599	46,599
Ending of the Year	<u>67,008</u>	<u>58,473</u>	<u>116,839</u>	<u>97,263</u>	<u>200,767</u>	<u>230,412</u>	<u>54,041</u>	<u>824,803</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility funds because they are reported as major funds and have legally adopted budgets. The following major funds are not reported because the inter-local agreement fund and impact aid funds are non-budgeted fund special revenue funds.

Froid School District No. 65
 Schedule of Revenues, Expenses and Balances
 Student Activity Funds
 Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance <u>7/1/2013</u>	Revenues	Expenses	Transfers	Ending Balance <u>6/30/2014</u>
ATHLETICS	970	5,906	5,656	-	1,220
CARDINAL CLUB	1,340	1	-	-	1,341
SPEECH	144	82	82	-	144
ANNUAL	5,839	1,242	1,785	418	5,714
THEATER	130	1	-	-	131
MUSIC	3,647	3,200	2,174	-	4,673
STUDENT COUNCIL	1,498	5,143	4,364	500	2,777
PEP CLUB	175	-	-	-	175
CLOSE UP	12,275	26,694	34,819	-	4,150
SCIENCE CLUB	9	-	-	-	9
CLASS OF 2014	492	1,210	1,159	(543)	-
CLASS OF 2015	952	747	495	(125)	1,079
CLASS OF 2016	1,056	3,183	1,223	(125)	2,891
CLASS OF 2017	-	738	178	(125)	435
YOUTH LEGISLATURE	-	5,594	5,525	-	69
Total	<u>28,527</u>	<u>53,741</u>	<u>57,460</u>	<u>-</u>	<u>24,808</u>

FROID SCHOOL DISTRICT NO. 65

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	8	8	0
Grade 1 - 6	42	42	0
Grade 7 - 8	<u>15</u>	<u>15</u>	<u>0</u>
Total	<u>65</u>	<u>65</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	8	8	0
Grade 1 - 6	42	42	0
Grade 7 - 8	<u>15</u>	<u>15</u>	<u>0</u>
Total	<u>65</u>	<u>65</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>33</u>	<u>33</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	8	8	0
Grade 1 - 6	43	43	0
Grade 7 - 8	<u>17</u>	<u>17</u>	<u>0</u>
Total	<u>68</u>	<u>68</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>35</u>	<u>35</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>

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
Froid School District No. 65
Roosevelt County
Froid, Montana 59226

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 Froid School District No. 65 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Froid School District No. 65's basic financial statements and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Froid School District No. 65'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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001 and 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Froid School District No. 65'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*.

Froid School District No. 65'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, PC
Billings, Montana
May 15, 2015

SCHEDULE OF FINDINGS AND RESPONSES

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

FINDING #2013-01 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN:

This finding was not commented on in this fiscal year.

FINDING #2013-02 - FINANCIAL REPORTING:

This finding was resolved in fiscal year 2014.

2014-001 FINDING 1 - CAPITAL ASSETS:

Criteria: Generally Accepted Accounting Principles (GAAP) require the district to maintain a list of capital assets and a depreciation schedule. Condition: The district did not update its capital asset records from the previous year. Effect: The effect is current year additions, deletions, and depreciation were not recorded in the Trustees Financial Summary (TFS). Context: Capital asset additions coded to 7xx were \$395,962, capital asset deletions were \$66,500, and depreciation expense in the prior year was \$64,447. Cause: This was caused by a change in auditors. Recommendation: We recommend the district maintain a copy of its capital asset records and keep it up to date.

2014-002 FINDING 2 - EXPENDITURE CODING:

Criteria: GAAP requires expenditures to be properly coded. Condition: Numerous expenditures were coded to capital assets that did not meet the district policy for capitalization. Effect: The effect was over reported capital expenditures and under reported operations and maintenance expenditures. Context: An adjustment was made for \$57,707 to reduce capital asset expenditures. Cause: This was caused by a misinterpretation of the districts capital asset policy. Recommendation: We recommend the district only capitalize single items that meet the district's \$5,000 capitalization policy. Also repair & maintenance items should not be capitalized.