

SCHOOL DISTRICT NO. 3
Frontier School
Wolf Point, Montana

FINANCIAL AND COMPLIANCE
REPORT

Year ended June 30, 2014

SCHOOL DISTRICT NO. 3
Frontier School
Wolf Point, Montana

FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- ◆ Total Net Position for the District \$ 2,517,693.
- ◆ Total Net Position increased by \$ 299,734 or 14 %.

USING THESE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 3 as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

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

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

District's Net Position were as follows:

	2014	2013	Change	%
Current assets	1,223,480	1,289,994	(\$66,514)	(5)%
Capital assets - net	1,322,831	957,997	364,834	38%
Total assets	2,546,311	2,247,991	298,320	13%
Total liabilities	28,618	30,032	(1,414)	(5)%
Net Position	\$2,517,693	\$2,217,959	299,734	14%
Net Position consist of:				
Invested in capital assets	\$1,322,831	\$957,997	\$364,834	38%
Restricted Net Position	393,446	481,560	(88,114)	(18)%
Unrestricted Net Position	801,416	778,402	23,014	3%
Net Position	\$2,517,693	\$2,217,959	\$299,734	14%

District program revenues were as follows:

Program Revenues:	2014	2013	Change	%
Operating Grants:				
Title I	56,945	42,375	14,570	34%
School Food programs	50,704	42,788	7,916	19%
State & County Transportation	50,366	38,424	11,942	31%
Special Education - State	21,809	20,268	1,541	8%
Title VI	27,171	0	27,171	
Other	54,429	77,031	(22,602)	(29)%
Total Operating Grants	261,424	220,886	40,538	18%
Capital Grants:				
Quality Schools	168,780	0	168,780	
Total Capital Grants	168,780	0	168,780	
User Charges:				
School Food fees	30,626	14,995	15,631	104%
Other		3,251	(3,251)	
Total User Charges	30,626	18,246	12,380	68%
Total Program Revenues	460,830	239,132	221,698	93%

General Revenues:	2014	2013	Change	%
District property taxes	454,773	424,244	30,529	7%
State equalization	412,178	365,786	46,392	13%
Guaranteed tax base	145,605	101,663	43,942	43%
Oil and Gas	30,299		30,299	
Other state revenue	94,688	72,219	22,469	31%
County sources	67,927	81,532	(13,605)	(17)%
Impact Aid	130,512	166,220	(35,708)	(21)%
Interest	1,121	2,153	(1,032)	(48)%
Capitalized loss on disposal	2,858		2,858	
Other	14,021	7,722	6,299	82%
Total General Revenue	1,353,982	1,221,539	132,443	11%
Total Revenue	\$1,814,812	\$1,460,671	\$354,141	24%

District's expenses were as follows:

	2014	2013	Change	%
Regular Instruction	(\$825,131)	(\$638,457)	(\$186,674)	29%
Special Education	(48,396)	(30,418)	(17,978)	59%
Educational Media	(7,589)	(11,925)	4,336	(36)%
Support Services Student	(22,141)	(10,975)	(11,166)	102%
General Administration	(120,238)	(123,886)	3,648	(3)%
Building Administration	(34,479)	(25,395)	(9,084)	36%
Business Administration	(41,222)	(43,617)	2,395	(5)%
Operation and Maintenance	(196,242)	(191,031)	(5,211)	3%
Student Transportation	(72,445)	(52,109)	(20,336)	39%
School Food	(92,244)	(90,100)	(2,144)	2%
Extracurricular	(11,259)	(9,852)	(1,407)	14%
Unallocated depreciation	(43,692)	(82,173)	38,481	(47)%
Total expenses	(1,515,078)	(1,309,938)	(205,140)	16%
Less charges for services	30,626	18,246	12,380	68%
Less program revenues	430,204	256,423	173,781	68%
Net expenses	(\$1,054,248)	(\$1,035,269)	(\$18,979)	2%

FUND FINANCIAL STATEMENTS

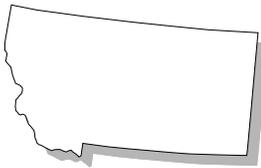
The District maintains individual government funds. The following funds are considered major funds: General Fund, Impact Aid Fund; (included with General Fund for audit report), and Building Reserve Fund. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for its "major" funds.

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

The governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the District Clerk, School District No. 3, Frontier School, 6996 Roy St., Wolf Point, Montana 59201.



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.
INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 3
Frontier School
Wolf Point, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 3, Wolf Point, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise School District No. 3's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Modified Opinion

Management has not obtained a valuation of other post employment benefits as required by Governmental Auditing Standards Board Statement No. 45. The amount by which this valuation would decrease the net position and increase expenses of the governmental activities has not been determined.

Modified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Modified Opinion" paragraph, the financial statements referred to in the preceding paragraph present fairly, in all material aspects, the respective financial position of the governmental activities, as of June 30, 2014 and in the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of School District No. 3, Wolf Point, Montana, 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 and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 3's basic financial statements. The accompanying supplementary information the Supplemental Schedule of School District Enrollment (page 23) and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position (page 24) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedule of School District Enrollment and the Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Net Position are required by the State of Montana and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Supplementary Schedule of School District Enrollment and Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Fund Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited School District No. 3's June 30, 2013 financial statements, and we expressed an unmodified opinion on in our report dated June 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2015 on our consideration of School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District No. 3's internal control over financial reporting and compliance.

June 19, 2015



Ross R. Stalcup
Certified Public Accountant

SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana
STATEMENT OF NET POSITION
JUNE 30, 2014

	2014	2013
ASSETS		
Current Assets:		
Cash and Investments.	\$1,211,598	\$1,266,473
Property Taxes Receivable.	11,882	10,218
Protested Taxes.		5,423
Due from Other Governments.		7,880
Total Current Assets.	<u>1,223,480</u>	<u>1,289,994</u>
Restricted Assets		
Capital Assets - Net.	1,322,831	957,997
Total Assets.	<u>2,546,311</u>	<u>2,247,991</u>
Deferred Outflow of Resources.	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflow of Resources.	<u><u>2,546,311</u></u>	<u><u>2,247,991</u></u>
LIABILITIES:		
Current Liabilities		
Compensated Absences.	9,539	10,011
Accounts Payable.		0
Total Current Liabilities.	<u>9,539</u>	<u>10,011</u>
Non Current Liabilities		
Compensated Absences.	19,079	20,021
Bonds Payable.		
Total Non Current Liabilities	<u>19,079</u>	<u>20,021</u>
Total Liabilities.	<u>28,618</u>	<u>30,032</u>
Deferred Inflow of Resources.	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflow of Resources.	<u>28,618</u>	<u>30,032</u>
Total Net Position.	<u><u>2,517,693</u></u>	<u><u>2,217,959</u></u>
NET POSITION		
Net Investment in Capital Assets.	1,322,831	957,997
Restricted		
Capital Projects.	131,797	235,169
Retirement.	23,404	70,073
Bus Replacement.	72,685	110,423
Transportation.	19,576	
Instruction.	109,515	
Other.	36,469	65,895
	<u>393,446</u>	<u>481,560</u>
Unrestricted.	<u>801,416</u>	<u>778,402</u>
Total Net Position.	<u><u>\$2,517,693</u></u>	<u><u>\$2,217,959</u></u>

See Notes to Financial Statements

SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Operating Grants	Capital Grants	Revenue Charges for Services	Net (Expense) Revenue 2014	2013
GOVERNMENT OPERATIONS						
Instruction:						
Regular Instruction.....	\$825,131	\$138,545			(\$686,586)	(\$480,263)
Special Education.....	48,396	21,809			(26,587)	(10,150)
Educational Media.....	7,589				(7,589)	(11,925)
Support Services - Students.....	22,141				(22,141)	(10,975)
Administration:						
General.....	120,238				(120,238)	(123,886)
Building.....	34,479				(34,479)	(25,395)
Business.....	41,222				(41,222)	(43,617)
Operation and Maintenance.....	196,242		168,780		(27,462)	(191,031)
Transportation.....	72,445	50,366			(22,079)	(13,685)
Food Services.....	92,244	50,704		30,626	(10,914)	(32,317)
Student Extracurricular.....	11,259				(11,259)	(9,852)
Unallocated Depreciation.....	43,692				(43,692)	(82,173)
Totals.....	<u>\$1,515,078</u>	<u>\$261,424</u>	<u>\$168,780</u>	<u>\$30,626</u>	<u>(\$1,054,248)</u>	<u>(\$1,035,269)</u>
GENERAL REVENUES						
District Property Taxes.....					\$454,773	\$424,244
State Equalization.....					412,178	365,786
Guaranteed Tax Base.....					145,605	101,663
Oil and Gas.....					30,299	36,559
Other State Revenue.....					94,688	35,660
County Property Taxes.....					67,927	81,532
Impact Aid.....					130,512	166,220
Interest.....					1,121	2,153
Other.....					14,021	7,722
Sale of Assets.....					2,858	
Total General Revenues.....					<u>1,353,982</u>	<u>1,221,539</u>
Prior Period Adjustment.....					0	45,915
CHANGE IN NET POSITION.....					<u>299,734</u>	<u>232,185</u>
NET POSITION						
Beginning of Year.....					2,217,959	1,985,774
End of the Year.....					<u>\$2,517,693</u>	<u>\$2,217,959</u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	MAJOR FUNDS		NON MAJOR FUNDS	
	General Fund	Building Reserve Fund	Other Governmental Funds	Total
ASSETS:				
Cash and Investments.	\$821,373	\$130,190	\$260,035	\$1,211,598
Property Taxes Receivable.....	8,661	1,607	1,614	11,882
Total Assets.	830,034	131,797	261,649	1,223,480
Deferred Outflows of Resources.....	0	0	0	0
Total Assets and Deferred Outflows of Resources.	830,034	131,797	261,649	1,223,480
LIABILITIES:				
Due to Other Governments.				0
Total Liabilities.	0	0	0	0
Deferred Inflows of Resources.	8,661	1,607	1,614	11,882
Total Liabilities and Deferred Inflows of Resources.	8,661	1,607	1,614	11,882
FUND BALANCE:				
Reserved.				0
Restricted.....		130,190	260,035	390,225
Unassigned.	821,373			821,373
Total Fund Balance.	821,373	130,190	260,035	1,211,598
Total Liabilities and Fund Balance.	\$830,034	\$131,797	\$261,649	\$1,223,480

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above.	\$1,211,598
Net capital assets.....	1,322,831
Deferred inflow of resources.	11,882
Less liabilities not reported above:	
Compensated absences.	(28,618)
Net Position.	<u>\$2,517,693</u>

See Notes to Financial Statements

SCHOOL DISTRICT No. 3
Frontier School
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

NON MAJOR FUNDS	MAJOR FUNDS			
	General Fund	Building Reserve Fund	Other Governmental Funds	Total
REVENUES:				
District Levy.....	\$332,217	\$59,704	\$66,611	\$458,532
Direct State Aid.....	579,592			579,592
Oil and Gas.....	30,299			30,299
Other State Sources.....	94,510	168,780	8,896	272,186
County Sources.....			91,930	91,930
Federal Sources.....	130,512		206,894	337,406
User Fees.....			30,626	30,626
Interest.....	907	158	138	1,203
Other.....	47		13,892	13,939
Total Revenues.....	1,168,084	228,642	418,987	1,815,713
EXPENDITURES:				
Current Operations:				
Instruction:				
Regular Programs.....	605,750		220,795	826,545
Special Programs.....	45,537		2,859	48,396
Educational Media.....	7,589			7,589
Support Services Students.....	21,651		490	22,141
Administration:				
General.....	111,374		8,864	120,238
Building.....	34,479			34,479
Business.....	36,833		4,389	41,222
Operation and Maintenance.....	182,407	2,800	11,035	196,242
Transportation.....	1,992		70,453	72,445
Food Services.....	5,352		86,892	92,244
Student Extracurricular.....	10,768		491	11,259
Capital Outlay.....		328,526	80,000	408,526
Total Expenditures.....	1,063,732	331,326	486,268	1,881,326
Transfers In/Out.....				0
Sale of Assets.....	1,469		1,389	2,858
Total Other Financing Sources.....	1,469	0	1,389	2,858
Excess (Deficiency) Of Revenues Over Expenditures And Other Financing.....	105,821	(102,684)	(65,892)	(62,755)
FUND BALANCE				
Beginning of the Year.....	697,680	232,874	343,799	1,274,353
Prior Period Adjustment.....	17,872		(17,872)	0
Beginning of the Year Restated.....	715,552	232,874	325,927	1,274,353
End of the Year.....	\$821,373	\$130,190	\$260,035	\$1,211,598

See Notes to Financial Statements

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

**RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2014

Change in Fund Balances.	(\$62,755)
Change in Property Taxes Receivable not included in the Governmental Fund Statements.	(3,759)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Decrease in Compensated Absences.	1,414
Capital Outlay.	408,526
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Depreciation.	(43,692)
Change in Net Position.	<u>\$299,734</u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

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

FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash.	<u>\$9,916</u>
NET POSITION	
Held in Trust.	<u>9,916</u>
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers.	19,541
Expenditures & Transfers.	17,302
NET POSITION	
BEGINNING.	<u>7,677</u>
ENDING.	<u>\$9,916</u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

All operations of School District No. 3, Wolf Point, Montana are controlled by a Board of Trustees, elected in School-wide elections, and responsible for all of the School's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

B. Basis of Presentation and Basis of Accounting

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

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

The Statement of Activities present comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Accordingly, the District reports the following major governmental funds:

General fund

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

Building Reserve fund

This fund accounts for the proceeds and expenditures of building reserve funding.

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

The general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

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

D. Inventories

Inventories are considered to be immaterial and are not recorded.

E. Property Taxes

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

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

F. Capital Assets

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

Buildings and improvements. 20-80 years

Equipment. 6- 20 years

G. Compensated Absences

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

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Equity

See Note 7.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

An example is depreciation.

J. Deferred Inflow/Outflow of Resources

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

Notes to Financial Statements (continued)

2. CASH AND INVESTMENTS

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

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

The District does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments.

3. CAPITAL ASSETS

Capital asset activity during 2014 was as follows:
Per Trustees Financial Statement

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of assets:				
Land	\$17,538			\$17,538
Buildings and Improvements	2,281,804	328,526		2,610,330
Equipment	384,945	80,000		464,945
Total	<u>2,684,287</u>	<u>408,526</u>	<u>0</u>	<u>3,092,813</u>
Accumulated depreciation:				
Land Improvements		(5,862)		
Buildings and Improvements	(1,417,896)	(21,626)		(1,439,522)
Equipment	(308,394)	(16,204)		(324,598)
Total	<u>(1,726,290)</u>	<u>(43,692)</u>	<u>0</u>	<u>(1,769,982)</u>
Capital Assets, Net	<u>\$957,997</u>	<u>\$364,834</u>	<u>\$0</u>	<u>\$1,322,831</u>

Depreciation is not allocated.

Notes to Financial Statements (continued)

4. RETIREMENT PLANS

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

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

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

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
TRS	\$82,321	\$81,322	\$80,428
PERS	23,006	22,109	21,086
Total	<u>\$105,327</u>	<u>\$103,431</u>	<u>\$101,514</u>

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

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

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

Notes to Financial Statements (continued)

5. LONG TERM DEBT

	June 30 2013	Payment	Additions	June 30 2014	Current
Compensated Absences	30,032	(1,414)		28,618	9,539
Total	30,032	(1,414)	0	28,618	\$9,539

6. OTHER POST EMPLOYMENT BENEFITS

School District No. 3 did not obtain a valuation of Other Post Employment Benefits liability because no retired employees purchased health insurance through the District. The District does not have Other Post Employment Benefits liability.

7. FUND BALANCE/NET POSITION DISCLOSURES

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

Non-spendable

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

Restricted

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

Committed

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

Assigned

Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District management is responsible for assigning fund balance.

Unassigned

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

Additionally the statement addresses fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose, which can result in funds being reclassified for reporting purposes.

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

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

Notes to Financial Statements (continued)

7. **FUND BALANCE/NET POSITION DISCLOSURES** (continued)
Fund Balance Classification is as follows:

	MAJOR FUNDS		NON MAJOR	Total
	General Fund	Building Reserve	Other Government Funds	
Restricted:				
Instruction			109,515	109,515
Transportation			18,986	18,986
Bus Replacement			71,661	71,661
Tuition				0
Retirement Benefits			23,404	23,404
Technology Acquisition			10,199	10,199
Adult Education				0
School Food Program			24,431	24,431
Housing				0
Capital Projects		130,190		130,190
Compensated Absence Liability			1,839	1,839
	0	130,190	260,035	390,225
Assigned:				
Instruction				0
Capital Outlay				0
	0	0	0	0
Unassigned:	821,373			821,373
	821,373	0	0	821,373
Total Fund Balance	\$821,373	\$130,190	\$260,035	\$1,211,598

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

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

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

Unrestricted. All other assets.

Net Position Classifications:

Restricted	
Non expendable	
Expendable	393,446
Invested in Capital Assets	1,322,831
Unrestricted	801,416
	<u>\$2,517,693</u>

A reconciliation of Fund Balance by classification to restricted net position by classification follows:

	Deferred Inflow of Resources	Non capital Debt	Capital Assets	Adjustments	Net Position	
Fund Balances						
Restricted	390,225	3,221			393,446	
Invest Capital Assets			1,322,831		1,322,831	
Assigned					0	
Unrestricted		(28,618)		830,034	801,416	
Unassigned	821,373	8,661		(830,034)	0	
Total	\$1,211,598	\$11,882	(\$28,618)	\$1,322,831	\$0	\$2,517,693

Notes to Financial Statements (continued)

8. COMMITMENT / CONSTRUCTION

The District was engaged in construction/renovation project subsequent to year end.

9. PRIOR PERIOD ADJUSTMENTS

Period adjustments were made because the Flexibility Fund was included in the General Fund pursuant to GASB Statement No. 54.

10. RISK MANAGEMENT

The District faces a number of risks including:

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

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

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

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

WCRRP
1 South Montana Avenue
Helena, Montana 59601

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014**

	General Fund		
	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	\$333,881	\$333,881	\$332,217
Direct State Aid	572,756	572,756	579,592
Oil and Gas	4,570	4,570	9,140
Other State Sources	97,927	97,927	93,355
County Sources			
Federal Sources			
User Fees	3,613	3,613	
Interest	76	76	19
Other	792	792	47
Total Revenues	1,013,615	1,013,615	1,014,370
EXPENDITURES			
Total Expenditures	1,013,615	1,056,298	1,056,298
OTHER FINANCING SOURCES (USES)			
Sale of Assets			1,469
CHANGE IN FUND BALANCE	0	(42,683)	(40,459)

See notes to required supplemental information.

**The difference between the General Fund presented on this schedule and the General Fund presented in the fund statements is the inclusion of the Impact Aid Special Revenue Fund.

**SCHOOL DISTRICT No. 3
Frontier School
Wolf Point, Montana**

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

Budgets:

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

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

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

The General Fund, the Impact Aid Fund, the Flexibility Fund, and the Interlocal Fund are combined in the GAAP Basis Statements.

**FRONTIER PUBLIC SCHOOL
DISTRICT NO. 3**

Wolf Point, Montana

SUPPLEMENTARY SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

Year Ended June 30, 2014

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	16	16	16	16	16	16
Grades 1 - 6	104	104	101	101	99	99
Grades 7 - 8	28	28	27	27	23	23
Total	148	148	144	144	138	138

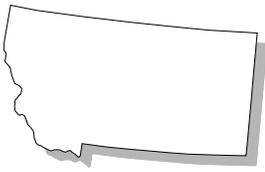
**FRONTIER PUBLIC SCHOOL
DISTRICT NO. 3
Wolf Point, Montana**

EXTRACURRICULAR FUND

**SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
BY STUDENT ACTIVITY**

for the Year Ended June 30, 2014

Student Activity	Balance June 30, 2013	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2014
Class of 2014	565	5,339	5,499		405
Class of 2015	0	2,449	1,310		1,139
Athletics	19	4,681	3,824		876
Blue Rock	2,108	2,264	1,980		2,392
Music	2,080	2,341	2,076		2,345
Rebate Student Incentives	2,597	363	1,018		1,942
Student Council	291	1,938	1,412		817
Sewing	17	166	183		0
	<u>\$7,677</u>	<u>\$19,541</u>	<u>\$17,302</u>	<u>\$0</u>	<u>\$9,916</u>



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

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

Board of Trustees
School District No. 3
Frontier School
Wolf Point, Montana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 3, Wolf Point, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 3's basic financial statements, and have issued our report thereon dated June 19, 2015 which was qualified due to a lack of a valuation to determine Other Post Employment Benefits Liability.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Summary of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Summary of Findings and Questioned Costs to be material weaknesses. (Findings No. 2014-01, 2014-02, 2014-03, 2014-04)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the accompanying Summary of Findings and Questioned Costs (Finding No. 2014-05).

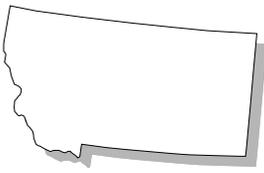
Purpose of this Report

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

June 19, 2015



Ross R. Stalcup
Certified Public Accountant



ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT SUMMARY OF FINDINGS AND Questioned Costs

Board of Trustees
School District No. 3
Frontier School
Wolf Point, Montana

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

Current Year INTERNAL CONTROL FINDINGS

2014-01 Segregation of Duties

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

2014-02 Monthly Reconciliations

- Criteria: Administrative Rules of Montana 10.10.105 and 10.10.501 require that clearing accounts be reconciled monthly internally and with the County Treasurer.
- Condition: Reconciliations were not made.
- Context: Reconciliations were not made in a timely manner.
- Effect: The balance of the fund is potentially misstated.
- Cause: The District Clerk did not do the reconciliations.
- Recommendation: The District should get the situation resolved even if it requires outsourcing the work.

Current Year
INTERNAL CONTROL FINDINGS - (Continued)

2014-03 Multi-District Cooperative

- Criteria: The District entered into a multi-district cooperative with another district as allowed by Senate Bill No. 392 (2011) and amended by Senate Bill No. 39 (2013). The agreement is subject to Montana Code Section 20-3-363.
- Condition: There were several issues with the agreement the District entered into:
A) The effective date of the agreement was July 1, 2014. Funds were transferred into the Interlocal Fund June 2014, the preceding fiscal year.
B) Transfers into the Interlocal Fund created by the agreement have to be accounted for in a manner prescribed by the State of Montana. Basically, the transfers out of a budgeted fund have to be offset against the budget of that fund.
The transfer made by the District was done by transferring \$16,599 of Direct State Aid revenue from the General Fund to the Interlocal Fund.
The agreement states that the multi-district cooperative is created for background checks, instructional speakers, and deposit of insurance premiums.
The transfer made did not agree to any multiple of insurance premiums and has not been used.
- Context: The multi-district agreement, while allowable, was executed improperly.
- Effect: Improper transfers, use of the agreement for other than its stipulated purpose, general ledger misstatement.
- Cause: No single cause. Employee turnover and an apparent lack of communication appear to be primary causes.
- Recommendation: If the District is going to avail itself of this sort of financial arrangement, it should prepare and execute properly.
The accounting service provider remedied the problems to the extent they affected the financial reporting.

Current Year
INTERNAL CONTROL FINDINGS - (Continued)

2014-04 Compensation Issues

- Criteria: The Internal Revenue Code, Federal and State Wage and Retirement System Law, and District Policy stipulate amounts included in reportable income, overtime applicability, and frequency and amount of payrolls.-
- Condition: The District has not complied with certain aspects of the governing rules in a variety of ways, as follows:
- A) The District Superintendent received twice normal payroll in June 2014, resulting in a contract overpayment of \$3,495.55.
 - B) Eligible employees were not included in the retirement system.
 - C) Overtime was not paid in accordance with relevant regulations.
 - D) An employee uses a District vehicle for commuting to and from work from his residence.
 - E) The District gives performance incentives in the form of prepaid gift cards. The recipients of the cards are not documented. This is includable in compensation. The District is in violation of or has violated Federal and State regulations.
- Context: The District is not reporting all taxable compensation and not paying per contracts.
- Effect: A) The Superintendent was overpaid on the 2014 contract.
B) The District has had one wage and hour claim and may have another pending.
C) The District had to pay PERS- both employee & employer share.
D) The District is not reporting compensation in accordance with Internal Revenue Code recognitions.
E) The gift cards are includable in compensation and did not provide documentation of final use of public money. (See Other Matters)
- Cause: Turnover at the Clerk position, nominal financial reporting at the District, inadequate human resource management.
- Recommendation: A) Pay contracts in their contracted amount in the year of the contract for all employees; particularly senior administration.
B) Pay any back overtime owed.
C) Comply with PERS and TRS regulations.
D) Discontinue personal use of District vehicles (There are insurance considerations, as well.)
E) Discontinue use of gift cards.
- Additional: If TRS, PERS, or the IRS chooses to perform a detail examination of the District, the results could be undesirable. A number of the issues were ongoing in the fiscal year 2014, and came to light in 2015 before the date of the auditors report. Corrective Action was taken in some cases.

Current Year
COMPLIANCE FINDINGS

2014-05 Employment of Board Member

- Criteria: Montana Law (MCA 20-9-204(b)) specifically prohibits employment of a school board member.
- Condition: A Board member, who joined the Board in May 2013, was employed as a school bus driver in October 2014. Subsequently, in March 2015, he was additionally employed as a maintenance person.
- Context: A member of the governing board is employed by the District
- Effect: Violation of State law.
- Cause: Disregard of State law.
- Recommendation: The individual either resign from the Board or from District employment.

OTHER MATTERS

Gift Cards

Besides the compensation issues discussed in findings, the practice of using prepaid gift cards for incentive purposes does not provide adequate documentation of the use of public money.

This practice is not specifically prohibited by State law. It does not fall under the purview of OMB Circular A-87 (now revised), but is intrinsically flawed in the context of documentation of the use of public money.

We recommend this practice be discontinued.

This is a payroll matter and needs to be treated as such. The Internal Revenue Service compliance issues are very clear.

Status of Prior Year's Findings

- 13-01 Internal Control over Financial Reporting - not a finding
- 13-02 Segregation of Duties - recurring 2014-01
- 13-03 Other Post Employment Benefits Liability - not a finding
- 13-04 Extracurricular Activities - corrected
- 13-05 Monthly Reconciliations - recurring 2014-02

June 19, 2015



Ross R. Stalcup
Certified Public Accountant