

FRENCHTOWN SCHOOL DISTRICT NO. 40
Missoula County, Montana

AUDITED FINANCIAL STATEMENTS AND
REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

June 30, 2014

Cote & Associates, CPA, PLLC
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Frenchtown School District No. 40
June 30, 2014

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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frenchtown School District No. 40
Missoula County
Frenchtown, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of the Frenchtown School District No. 40 (District), Missoula County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 District'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 District's internal control. Accordingly, I 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.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4-9 and 29-30 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. I 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 information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide an assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of school district enrollment and the extracurricular fund schedule of revenues, expenditures and changes in fund equity by student activity is presented for purposes of additional analysis as required by Montana law and also are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements. Statistical information in schedules of student enrollment, school district taxable valuations, school district tax levies, tax collections, major taxpayers and maximum bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 1, 2015, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 the District's internal control over financial reporting and compliance.

Cote & Associates, CPA, PLLC

March 1, 2015
Missoula, Montana

Frenchtown School District
June 30, 2014

ORGANIZATION

For the Fiscal Year Ended June 30, 2014

Board of Trustees

Debbie Lester	Chairman
Dave Weber	Vice Chairman
Evan Jordan	Trustee
Dianne Burke	Trustee
Jami Romney FitzGerald	Trustee
Teresa Teagle	Trustee
Andrew Stevenson	Trustee

Officials

Randy Cline	District Superintendent
Cindy McMurray	Clerk of the Board
Fred Van Valkenburg	County Attorney
Erin Lipkind	County Superintendent of Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

Frenchtown School District No. 40
Management Discussion and Analysis
June 30, 2014

OVERVIEW

This discussion and analysis of the Frenchtown School District (District) financial performance provides an overview of the financial activities for the year ending June 30, 2014. It should be read in conjunction with the financial statements and notes. Frenchtown School Districts 2014 fiscal year (FY) was July 1, 2013 through June 30, 2014.

This annual report consists of a series of financial statements. The government-wide statement of net position and statement of activities provide information about the Frenchtown School District as a whole. The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS DURING FISCAL SCHOOL YEAR 2013-2014

Budget problems for Frenchtown School District #40 started with the national and state economic downturn that began in 2009. Smurfit-Stone Container linerboard plant located in Frenchtown, MT closed its doors in 2009. In April 2011, the founders of Illinois-based M2Green Investment Group Inc. (GIGI) announced that they had secured the purchase of the plant and site. Instead of merely selling the equipment and scrapping the rest of the property's materials, they intended to further clean up the site and convert it into a "green" industrial site to be known as M2Green. M2Green has sold a lot of equipment and scrapped the property's material. The area is now being viewed as a potential cleanup site and potential tenants are not interested. The reinvention of the Frenchtown site is at a standstill. At June 30, 2014 M2Green owed back taxes on their two largest parcels for taxes billed fall of 2012 and fall of 2013 of over \$400,000 to Missoula County, a significant portion which is Frenchtown School District levy.

For the first time in three years, the District saw its enrollment starting to stabilize during the 2012-2013 school year, this continued in the 2013-2014 school year. A majority of the funding from the state for K-12 schools in Montana is based on a school's enrollment during the school year called Average Number Belonging (ANB). The number of students in a school district is counted during a school year and then the number is averaged for the amount of funds a school district will receive from the state. Students in grades K-6 are paid for by the state at one level and students in grades 7-12 at a higher rate. Beginning in FY 14 the count days for ANB are the first Monday in October, the first Monday in December and the first Monday in February of each school year. ANB counts for the 2013-2014 year appear on page 35.

Despite these problems, the District managed to maintain strong general fund reserve levels going into the 2014-15 school year.

REPORTING THE DISTRICT AS A WHOLE- Government-Wide Statements

The Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities report information about the District as a whole and about its activities in a way that shows if the District is in a better financial position as a result of each year's activities. These statements include all assets and liabilities using the **accrual basis** of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two sets of statements also report the District's net position and the changes in them. This is one way to measure the District's financial position. Over time, increases or decreases in the District's net position can be an indicator of whether its financial health is improving or deteriorating.

TRANSITION FROM FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Following the governmental financial statements (as described below) is a reconciliation translating the fund financial statements to the government-wide statements. Longer term assets and liabilities such as general capital assets and long term debt are added to the balance sheet to arrive at the governmental funds statement of net assets. Increases or

Frenchtown School District No. 40
Management Discussion and Analysis
June 30, 2014

decreases in assets and liabilities create increases or decreases in revenue and expenses when activities are reconciled from the governmental fund statements to the government-wide. Capitalization of capital assets will remove some of the capital outlay expenditures (reducing expense) and depreciation will increase expense at the government-wide level.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS- Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by state law. The District has established other funds to help control and manage money for particular purposes. The District's governmental and proprietary (business-type) funds use different accounting approaches.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes.

Governmental Funds—Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left at year-end are available for spending. These funds are reported using the **modified accrual** method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The general fund includes all revenues and expenses that are not specifically assigned to any other fund. Special revenue funds track revenue from specific sources and related expenditures, debt service funds track the flow of receipts and expenditures required to service governmental debts, and capital projects funds track revenues and expenditures associated with land, land improvements, building and equipment replacement and improvement.

Proprietary/Business-type Funds— there are two types, enterprise funds and internal service funds. The District does not have any enterprise funds, but they do have one internal service fund, the self-health insurance fund. Internal service funds are used when the District intends to operate a service where charges cover costs. These funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities, so there is no reconciliation. Fund statements provide greater detail than the government-wide statements and include a statement of cash flows.

Fiduciary Funds—financial statements show assets, liabilities and where appropriate, changes in assets and liabilities for funds which the District operates in a trust or agency capacity. Net assets of these funds are not available to the District to satisfy District obligations.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents additional schedules of information as shown in the Table of Contents.

THE DISTRICT AS A WHOLE

Condensed financial information for the District is outlined in the following tables.

Comparative and combined governmental and business-type assets, liabilities and net position are as follows:

Frenchtown School District No. 40
Management Discussion and Analysis
June 30, 2014

Table 1

	2014	2013	Change	%
Current assets	\$ 3,649,030	\$ 4,915,890	\$ (1,266,860)	(25.8)
Capital assets, net	23,007,970	23,307,344	(299,374)	(1.3)
Total assets	<u>\$ 26,657,000</u>	<u>\$ 28,223,234</u>	<u>\$ (1,566,234)</u>	(5.5)
Current liabilities	\$ 1,235,956	\$ 2,429,486	\$ (1,193,530)	(49.1)
Noncurrent liabilities	14,361,172	15,226,715	(865,543)	(5.7)
Total liabilities	<u>15,597,128</u>	<u>17,656,201</u>	<u>(2,059,073)</u>	(11.7)
Net position:				
Net investment in capital assets	\$ 8,307,970	\$ 7,706,956	\$ 601,014	7.8
Restricted net position	1,514,057	1,112,206	401,851	36.1
Unrestricted net position	1,237,845	1,747,871	(510,026)	(29.2)
Total net position	<u>\$ 11,059,872</u>	<u>\$ 10,567,033</u>	<u>\$ 492,839</u>	4.7

Table 1 Comments: An overall increase in 2014 net position reflects a decrease in liabilities, which consist of paying the final payment on the capital lease, a reduction in compensated absences, addition of three school buses, completion of projects which upgraded the HVAC systems and replacement of the track.

Comparative and combined governmental and business-type internal service revenues and expenses were as follows:
Table 2

	2014	2013	Change	%
Revenues				
Program revenue				
Charges for services	\$ 608,326	\$ 404,627	\$ 203,699	50.34
Operating grants and contributions	1,504,004	1,138,914	365,090	32.06
Capital grants and contributions	72,543	-	72,543	-
General Revenue				
District property taxes	\$ 3,390,656	\$ 3,250,790	\$ 139,866	4.30
State equalization	5,166,564	5,459,543	(292,979)	(5.37)
Other State revenue	1,160,109	1,107,059	53,050	4.79
County property taxes	1,130,424	1,034,994	95,430	9.22
Investment earnings	6,656	10,020	(3,364)	(33.57)
Other	27,380	41,671	(14,291)	100.00
Total revenues & transfers	<u>\$ 13,066,662</u>	<u>\$ 12,447,618</u>	<u>\$ (22,288)</u>	(0.18)
Expenses:				
Instruction programs	\$ 6,118,733	\$ 6,611,710	\$ (492,977)	(7.46)
Support services	1,531,662	1,840,419	(308,757)	(16.78)
Administration	1,387,012	773,006	614,006	79.43
Operation and maintenance	1,432,136	1,346,035	86,101	6.40
Student transportation	550,476	656,006	(105,530)	(16.09)
School food	682,965	655,799	27,166	4.14
Extracurricular	418,890	400,501	18,389	4.59
Interest	508,981	251,702	257,279	102.22
Total expenses	<u>\$ 12,630,855</u>	<u>\$ 12,535,178</u>	<u>\$ 95,677</u>	0.76
Changes in net position	\$ 435,807	\$ (87,560)	\$ 523,367	(597.72)
Net position, July 1	10,567,033	11,735,438	(1,168,405)	(9.96)
Changes in beginning equity	57,032	(1,080,845)	1,137,877	-
Net position, July 1 restated	<u>\$ 10,624,065</u>	<u>\$ 10,654,593</u>	<u>\$ (30,528)</u>	(0.29)
Net position, June 30	<u>\$ 11,059,872</u>	<u>\$ 10,567,033</u>	<u>\$ 492,839</u>	4.66

Frenchtown School District No. 40
Management Discussion and Analysis
June 30, 2014

Table 2 Comments: Overall a small increase in revenues and a small decrease in expenditures are consistent with budgeting. District and county tax revenues increased while state payments, which include federal programs passed through the state, decreased slightly, though the District received an extra \$24,578 from the state late in the year due to increased enrollment. On the expenditure side one large change was a decrease in interest payments as a result refunding (refinancing) of bonds during fiscal 2013.

THE DISTRICT'S FUNDS

Changes in Fund Balances reflect modified accrual or close to cash flow activity:

Table 3

	<u>Major Funds</u>			Other	Total
	General Fund	Bus Depreciation Fund	Debt Service Fund	Governmental Funds	Governmental Funds
Fund balances June 30, 2013	\$ 1,211,106	\$ 282,068	\$ 295,323	\$ 867,381	\$ 2,655,878
Prior period adjustments	17,917	69,200	-	(30,085)	57,032
Fiscal year 14 revenues	7,975,096	184,121	1,313,648	3,538,178	13,011,043
Fiscal year 14 expenditures	(8,108,803)	(253,149)	(1,404,355)	(3,670,726)	(13,437,033)
Fiscal year 14 transfers & other financing sources(uses)	(13,500)	-	-	13,500	-
Fund balances June 30, 2014	<u>\$ 1,081,816</u>	<u>\$ 282,240</u>	<u>\$ 204,616</u>	<u>\$ 718,248</u>	<u>\$ 2,286,920</u>

Table 3 Comments: Overall there was a slight decrease to overall fund balance. The general fund consumed some existing fund balance but was still able to transfer \$13,500 to the compensated absence fund at June 30, 2014. The bus depreciation fund restored \$69,200 to fund balance following cancellation of a two year old order for one bus, then purchased a replacement bus from a different company and traded in two existing buses for upgrades to meet the planned replacement schedule. Debt service fund revenues reflect decreases in state support because of the funding formula based on prior years ANB; this should improve with increased ANB in FY 2014. In other governmental funds seven decreased fund balance with the largest the retirement fund decreasing \$83,866; five funds increased fund balance by a total of \$21,337.

BUDGETARY HIGHLIGHTS

Table 4
General Fund

Year Ended June 30,	<u>Revenues and Transfers In</u>			<u>Expenditures and Transfers Out</u>		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
2013	\$ 7,891,070	\$ 7,891,070	\$ 7,944,449	\$ 7,891,070	\$ 7,891,070	\$ 7,890,927
2014	\$ 7,969,430	\$ 7,994,008	\$ 7,975,096	\$ 7,969,430	\$ 7,994,008	\$ 7,994,442

Bus Depreciation Fund

Year Ended June 30,	<u>Revenues and Transfers In</u>			<u>Expenditures and Transfers Out</u>		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
2013	\$ 356,070	\$ 356,070	\$ 11,066	\$ 356,070	\$ 356,070	\$ 77,608
2014	\$ 201,089	\$ 201,089	\$ 184,121	\$ 483,156	\$ 483,156	\$ 253,149

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Management Discussion and Analysis
June 30, 2014

Table 4 Comments: A more detailed display of the 2014 revenues and expenditures budget to actual is shown in the statement on page 31 and page 32. In the general fund the final budget reflects an amendment for an additional \$24,578 received late in the year from the state of Montana due to increased enrollment during the 2014 school year.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets – Capital Assets, Balances at June 30

Table 5

	<u>2014</u>	<u>2013</u>
Land	\$ 590,662	\$ 590,662
Land improvements	936,776	790,859
Construction in Progress	-	98,251
Buildings	27,592,197	27,479,629
Equipment	2,819,032	2,689,107
Total	<u>\$ 31,938,667</u>	<u>\$ 31,648,508</u>
Less accumulated depreciation	<u>(8,930,697)</u>	<u>(8,341,164)</u>
Net capital assets	<u>\$ 23,007,970</u>	<u>\$ 23,307,344</u>

Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

Table 5 Comments: The District acquired or completed several capital asset projects during 2013-2014 including improving an access road, replacement of the track, HVAC upgrade to buildings and three yellow bus purchases.

Debt Administration – see Note 7 for details

Governmental Activities Outstanding Long Term Liabilities, Balances at June 30, 2014 and 2013:

Table 6

	<u>2014</u>	<u>2013</u>
All general obligation bonds	\$ 14,700,000	\$ 15,595,000
Compensated absences & early retirement	581,172	625,193
Capital lease	-	5,388
Total	<u>\$ 15,281,172</u>	<u>\$ 16,225,581</u>

A capital lease was retired in December 2013, routine debt payments were made on outstanding bonds and the compensated absence balance for accrued vacation and sick pay decreased overall.

ECONOMIC FACTORS, NEXT YEAR’S BUDGET AND RATES

THE FUTURE OF THE SCHOOL

During the 2013-2014 school year, Frenchtown School District (District) saw its enrollment increase. The District even had its K-8 enrolment increase enough to request additional ANB after the February count day for an unexpected enrollment increase. Enrollment stabilized in 2012-2013 after two years of declining enrollment. The District enrollment had declined by almost 12% over the previous two years. Comparison of enrollment for the 2012-2013 school year and the 2013-2014 school year shows our enrollment increased by exactly 30 students from 1,165 in 2012-2013 to 1,195 in 2013-2014.

At the start of the 2013-2014 school year, enrollment was up 30 students in K-12 from the start of the 2012-2013 school year. It is good to see the student population has grown after stabilizing last year and after having dropping by 100

Frenchtown School District No. 40
Management Discussion and Analysis
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students over the previous two years. The big shift in student population was in the K-6 as the junior high was down in enrollment and the high school had only one more student than at the start of last year.

One contributing factor to this stabilization was that we continued to allow enrollment of discretionary non-resident students who were in good standing at their previous school. Admitting nonresident students has been a win-win situation financially for both the school district and the district taxpayers. The admission of 52 nonresident students created additional revenue for the District through increased ANB, while not increasing its expenses.

The Frenchtown Academy for Career Education (FACE), an alternative high school, started operation during the 2012-2013 school year. It paid for itself by getting ANB for students that might have otherwise dropped out. Also, the alternative school had a positive impact by the very fact it would keep students from dropping out. The graduation rate for seniors attending FACE in 2013-2014 school year was 95%.

With the implementation of a new school funding bill in FY14 (SB 175) and the increase in ANB from the additional 30 students, the District actually saw a budget increase of \$243,359 for FY15. This is the first significant funding increase in 4 yrs. Because there was a projected increase in school funding for the 2014-2015 school year, the FTSD School Board voted at the regular Board meeting in March 2014 not to ask the public to approve a levy for school operations.

At the end of the 2013-2014 school year the District was still awaiting any positive developments on the former Smurfit-Stone Container Frenchtown linerboard plant site and to what the site's new owners, M2 Green Investment Group will do. Any passer-by can see structures in various states of disassembly and train cars of material being hauled away every day, presumably for scrap. It's anybody's guess how long this could go on. There was no positive news about the former mill site, in fact two issues came up that cast doubt on the re-development of the plant site: possible status of some of the site as an EPA Superfund and M2 Green failed to pay its property taxes during the 2014 fiscal year. They are now in arrears for two years.

The failure of M2 Green to pay its taxes was a major impact on the budget for the 2013-2014 school year. Each year when taxes are due, taxpayers have the option of protesting their taxes if they feel they were unfairly taxed for the upcoming fiscal year. Those taxes must still be paid, but are set aside in a protested tax fund until the dispute is resolved. While in this fund, the district cannot access the funds until the protested issue is resolved. Often though of greater impact on a school district are delinquent taxes. These are taxes that simply go unpaid, sometimes for years.

As mentioned above, for fiscal year 2014, the largest taxpayer in the district, M2 Green, did not pay its taxes, which created a burden on the school budget. School districts, like any business or individual, need to have revenue (in this case taxes) to pay its bills. Due to the fact there were an unusually high number of protested/delinquent taxes in the 2014 fiscal year, the district had to use its reserves (somewhat like a savings account, but much more restrictive as to how it can be used) to pay all of its bills. The largest shortfall was in the Debt Service Fund, which is used to pay annual bond payments. Because of the shortfall in revenue, the district borrowed from its reserves to pay its bond obligation last fiscal year. To pay back its reserves and bonds, the District had to assess an additional 10 mills in the Debt Service Fund in the FY15 budget cycle. The good news is that in the future when the protested/delinquent taxes are paid; those funds can be used to reduce the number of mills needed to make our future bond payments.

Almost every expenditure in operating a school district comes out of the general fund. We are having trouble keeping up with our maintenance needs. Most concerning are boilers and roofs that need constant repairs. We have to put Band-Aids on the problem instead of addressing it. We have several deferred maintenance projects we are putting off due to lack of funding in the 2014 fiscal year. One of our deferred maintenance projects we have not been able to fund for the last five years would be funded if we get a Quality School Grant in FY15. This project is at a cost of about \$500,000 and the Quality School grant would pay for about \$400,000 of it. We could not afford to do it without the Quality School Grant funding.

Frenchtown School District No. 40
Management Discussion and Analysis
June 30, 2014

Another impact on the general fund that hammers the general budget almost every year is health insurance cost increases. Our premium costs have gone up about 30% (15% for District, 15% for the employee) in the 2 years since the legislature last met. Obviously with these kind of increases, all employees are seeking salary increases each year to help cover their cost of increased health insurance premiums.

Randy Cline, Superintendent

Copies of this MD&A and the full audit report with financial statements can be obtained by going to the Frenchtown School District website at www.ftsd.org under public documents or by contacting the District Clerk at Frenchtown K-12 Schools, PO Box 117, Frenchtown, MT 59834 or (406) 626-2600.

BASIC FINANCIAL STATEMENTS

Frenchtown School District
Missoula County, Montana

Government-Wide Statement of Net Position
As of June 30, 2014

Assets

	2014	2013
Current assets:		
Cash and investments	\$ 2,959,826	\$ 3,987,679
Property taxes receivable	496,949	441,329
Due from other governments	159,411	366,972
Other receivables	32,844	119,910
Total current assets	\$ 3,649,030	\$ 4,915,890
Non-current assets:		
Capital assets, land	\$ 590,662	\$ 590,662
Capital assets, depreciable, net	22,417,308	22,716,682
Total non-current assets	\$ 23,007,970	\$ 23,307,344
Total assets	\$ 26,657,000	\$ 28,223,234

Liabilities

Current liabilities:		
Accounts payable and accrued	\$ 238,259	\$ 1,265,508
Current portion of compensated absences	120,802	98,478
Current portion of long-term debt	920,000	895,000
Current portion of capital lease	-	5,388
Total current liabilities	\$ 1,279,061	\$ 2,264,374
Non-current liabilities:		
Long-term portion of compensated absences	\$ 460,370	\$ 526,715
Long-term portion of bonds payable	13,780,000	14,700,000
Total non-current liabilities	\$ 14,240,370	\$ 15,226,715
Total liabilities	\$ 15,519,431	\$ 17,491,089

Deferred Inflow

	77,697	165,112
--	--------	---------

Net position

Net investment in capital assets	\$ 8,307,970	\$ 7,706,956
Restricted for:		
Debt Service	204,616	295,323
Bus Replacement	282,240	351,268
Retirement	253,938	337,807
Miscellaneous Fund	102,200	-
Transportation	73,283	79,495
Adult Education	6,403	12,528
Building Reserve	13,603	13,374
Tuition	5,571	10,909
Traffic Education	8,702	-
Technology	14,296	11,502
Health insurance	549,205	-
Unrestricted	1,237,845	1,747,871
Total net position	\$ 11,059,872	\$ 10,567,033

Frenchtown School District
Missoula County, Montana

Government-Wide Statement of Activities
for the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue	
					2014	2013
Governmental activities:						
Instruction:						
Regular programs	\$ 4,754,136	\$ 20,672	\$ -	\$ -	\$ (4,733,464)	\$ (5,155,990)
Other programs	1,364,597	-	1,197,767	72,543	(94,287)	(455,090)
Support services	1,531,662	517,917	17,805	-	(995,940)	(1,526,099)
Administration:						
General	641,343	-	-	-	(641,343)	(131,806)
Schools	181,812	-	-	-	(181,812)	(310,468)
Financial	563,857	-	-	-	(563,857)	(330,732)
Operation and maintenance	1,432,136	991	-	-	(1,431,145)	(1,346,035)
Student transportation	550,476	355	118,328	-	(431,793)	(656,006)
School food	682,965	68,391	170,104	-	(444,470)	(427,208)
Extracurricular	418,890	-	-	-	(418,890)	(400,501)
Interest	508,981	-	-	-	(508,981)	(251,702)
Total governmental activities	<u>\$ 12,630,855</u>	<u>\$ 608,326</u>	<u>\$ 1,504,004</u>	<u>\$ 72,543</u>	<u>\$ (10,445,982)</u>	<u>\$ (10,991,637)</u>
General revenues:						
District property taxes					\$ 3,390,656	\$ 3,250,790
State equalization					5,166,564	5,459,543
Other state revenue					1,160,109	1,107,059
County property taxes					1,130,424	1,034,994
Investment earnings					6,656	10,020
Other					27,380	41,671
Total general revenues					<u>\$ 10,881,789</u>	<u>\$ 10,904,077</u>
Change in net position					435,807	(87,560)
Net position-July 1, 2013 as reported					\$ 10,567,033	\$ 11,735,438
Changes in beginning net position					57,032	(1,080,845)
Net position-July 1, 2013 as restated					<u>\$ 10,624,065</u>	<u>\$ 10,654,593</u>
Net position-June 30, 2014					<u>\$ 11,059,872</u>	<u>\$ 10,567,033</u>

Frenchtown School District
Missoula County, Montana

Balance Sheet- Governmental Funds
As of June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation Fund	Debt Service Fund		
Assets					
Cash and investments	\$ 1,104,840	\$ 282,240	\$ 204,616	\$ 587,923	\$ 2,179,619
Property taxes receivable	278,181	19,007	161,757	38,004	496,949
Accounts receivable	1,400	-	-	-	1,400
Due from other governments	-	-	-	159,411	159,411
Total assets	\$ 1,384,421	\$ 301,247	\$ 366,373	\$ 785,338	\$ 2,837,379
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 24,424	\$ -	\$ -	\$ 29,086	\$ 53,510
Total liabilities:	\$ 24,424	\$ -	\$ -	\$ 29,086	\$ 53,510
Deferred inflows of resources					
Uncollected property taxes	\$ 278,181	\$ 19,007	\$ 161,757	\$ 38,004	\$ 496,949
Total deferred inflows of resources	\$ 278,181	\$ 19,007	\$ 161,757	\$ 38,004	\$ 496,949
Fund balances:					
Restricted	\$ -	\$ 282,240	\$ 204,616	\$ 477,996	\$ 964,852
Assigned	257,777	-	-	240,252	498,029
Unassigned	824,039	-	-	-	824,039
Total fund balance	\$ 1,081,816	\$ 282,240	\$ 204,616	\$ 718,248	\$ 2,286,920
Total liabilities, deferred inflows and fund balances	\$ 1,384,421	\$ 301,247	\$ 366,373	\$ 785,338	

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds (net).	\$ 23,007,970
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	496,949
Long-term liabilities, including bonds payable, are not considered due and payable, in the current period and therefore are not reported in the funds	(15,281,172)
Net position of internal service (self-insurance) fund	549,205
Net position of governmental activities (Page 10)	\$ 11,059,872

Frenchtown School District
Missoula County, Montana

Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds,
for the Fiscal Year Ended June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation Fund	Debt Service Fund		
Revenues					
District property taxes	\$ 1,832,055	\$ 183,218	\$ 1,055,806	\$ 263,957	\$ 3,335,036
Intergovernmental:					
County	-	-	-	1,186,698	1,186,698
State	6,132,425	-	255,674	856,678	7,244,777
Federal	-	-	-	1,023,494	1,023,494
School food sales	-	-	-	68,773	68,773
Interest	2,906	903	1,708	1,139	6,656
Other	7,710	-	460	137,439	145,609
Total revenue	<u>\$ 7,975,096</u>	<u>\$ 184,121</u>	<u>\$ 1,313,648</u>	<u>\$ 3,538,178</u>	<u>\$ 13,011,043</u>
Expenditures					
Current operations					
Instruction:					
Regular programs	\$ 3,560,089	\$ -	\$ -	\$ 725,910	\$ 4,285,999
Other programs	680,885	-	-	691,537	1,372,422
Support services	878,636	-	-	682,921	1,561,557
Administration:					
General administration	140,745	-	-	45,389	186,134
School administration	516,549	-	-	114,819	631,368
Financial	476,921	-	-	99,803	576,724
Student transportation	2,111	-	-	420,589	422,700
Operation and maintenance	1,275,833	-	-	97,382	1,373,215
School food	104,000	-	-	573,418	677,418
Extracurricular	343,238	-	-	42,441	385,679
Capital outlay	124,782	253,149	-	176,517	554,448
Debt service	5,014	-	1,404,355	-	1,409,369
Total expenditures	<u>\$ 8,108,803</u>	<u>\$ 253,149</u>	<u>\$ 1,404,355</u>	<u>\$ 3,670,726</u>	<u>\$ 13,437,033</u>
Excess of revenues/(under) expenditures	\$ (133,707)	\$ (69,028)	\$ (90,707)	\$ (132,548)	\$ (425,990)
Other Financing Sources(Uses):					
Transfers in (out)	\$ (13,500)	\$ -	\$ -	\$ 13,500	\$ -
Change in fund balances	\$ (147,207)	\$ (69,028)	\$ (90,707)	\$ (119,048)	\$ (425,990)
Fund balances-July 1, 2013, as previously reported	\$ 1,211,106	\$ 282,068	\$ 295,323	\$ 867,381	\$ 2,655,878
Prior Period Adjustments	17,917	69,200	-	(30,085)	57,032
Fund balances-July 1, 2013, as restated	<u>\$ 1,229,023</u>	<u>\$ 351,268</u>	<u>\$ 295,323</u>	<u>\$ 837,296</u>	<u>\$ 2,712,910</u>
Fund Balances-June 30, 2014	<u>\$ 1,081,816</u>	<u>\$ 282,240</u>	<u>\$ 204,616</u>	<u>\$ 718,248</u>	<u>\$ 2,286,920</u>

Frenchtown School District
Missoula County, Montana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Government-Wide Statement of Activities
for the Fiscal Year Ended June 30, 2014

Change in fund balance as reported in governmental funds statement	\$	(425,990)
Change in deferred taxes receivable not included in the government funds statement		55,620
Expenses on the statement of activities not included in the government funds statement:		
Depreciation expense		(804,659)
Change in compensated absence liability		44,021
Expenditures reported in the government funds statement not included in the statement of activities:		
Capital outlay		554,448
Encumbrances included in capital outlay which were included in construction in progress at June 30, 2013		(43,353)
Rebate received on prior year capital outlay		(5,810)
Principal payments on bonds		895,000
Principal payments on capital lease		5,388
Revenue from "on-behalf" payments by State of Montana for retirement		152,351
Expenses from "on-behalf" payments by State of Montana for retirement		(152,351)
Excess of revenues over(under) expenses in the internal service fund		161,142
Change in net position reported on the statement of activities	\$	<u>435,807</u>

Frenchtown School District
Missoula County, Montana

Net Position-Internal Service (Health Insurance) Fund
As of June 30, 2014

	2014	2013
Assets		
Current assets:		
Cash and investments	\$ 780,207	\$ 523,585
Due from stop loss carrier	31,444	119,910
Total assets	\$ 811,651	\$ 643,495
Liabilities		
Current liabilities:		
Accounts payable	\$ 78,294	\$ 20,932
Estimated claims incurred but not reported	106,455	165,112
Total liabilities	\$ 184,749	\$ 186,044
Deferred inflows of resources		
Premium payments received in advance	77,697	69,389
Total deferred inflows of resources	77,697	69,389
Net position		
Restricted for health insurance fund	\$ 549,205	\$ 388,062
Total net position	\$ 549,205	\$ 388,062
Total liabilities, deferrals and net position	\$ 811,651	\$ 643,495

Frenchtown School District
Missoula County, Montana

Statement of Revenues, Expenses and Changes in Fund Net Position-Internal Service (Health Insurance) Fund
for the Fiscal Year Ended June 30, 2014

	2014	2013
Operating revenues		
Health insurance premiums & stop-loss received	\$ 1,423,072	\$ 1,447,012
Operating expenses		
Medical claims	\$ 947,735	\$ 1,531,377
Stop-loss premiums	290,951	238,825
Administrative fees	28,776	25,094
Total operating expenses	\$ 1,267,462	\$ 1,795,296
Operating income	\$ 155,610	\$ (348,284)
Non-operating revenues		
Interest/Dividend income	\$ 5,533	\$ 4,816
Change in net position	\$ 161,143	\$ (343,468)
Total net position		
Net position-beginning	\$ 388,062	\$ 731,530
Net position-ending	\$ 549,205	\$ 388,062

Frenchtown School District
Missoula County, Montana

Statement of Cash Flows-Internal Service (Health Insurance) Fund
for the Fiscal Year Ended June 30, 2014

	2014	2013
Cash flows from operating activities		
Health insurance premiums received	\$ 1,335,593	\$ 1,075,561
Stop-loss received	184,253	290,890
Medical claims paid	(949,030)	(1,501,138)
Insurance premiums paid	(319,727)	(238,825)
Administrative costs paid	-	(25,094)
Net cash provided/(used) by operating activities	\$ 251,089	\$ (398,606)
Cash flows from investing activities		
Interest received	\$ 5,533	\$ 4,815
Net cash provided/(used) by investing activities	\$ 5,533	\$ 4,815
Net increases(decrease) in cash and investments	\$ 256,622	\$ (393,791)
Cash and investments-beginning	\$ 523,585	\$ 917,376
Cash and investments-ending	\$ 780,207	\$ 523,585

Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:

Net operating income	\$ 155,610	\$ (348,283)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
(Increase)/decrease in amount due from stop/loss carrier	\$ 88,466	\$ (75,401)
Increase/(decrease) in accounts payable	57,362	(72,238)
Increase/(decrease) in claims incurred but not reported	(58,657)	102,477
Increase/(decrease) in deferred revenue	8,308	(5,161)
Net cash provided/(used) by operating activities	\$ 251,089	\$ (398,606)

Frenchtown School District
Missoula County, Montana

Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
As of June 30, 2014

	Student Activity Fund	Scholarship Fund	Total
Fiduciary net position			
Assets			
Cash in banks	\$ 117,339	\$ 43,535	\$ 160,874
Petty cash	1,025	-	1,025
Total assets	<u>\$ 118,364</u>	<u>\$ 43,535</u>	<u>\$ 161,899</u>
Net position			
Held in trust for student activities	\$ 118,364	\$ -	\$ 118,364
Held in trust for scholarships	-	43,535	43,535
Total net position	<u>\$ 118,364</u>	<u>\$ 43,535</u>	<u>\$ 161,899</u>
Changes in fiduciary net position			
Additions:			
Revenue from student activities	\$ 259,935	\$ -	\$ 259,935
Contributions to scholarships	-	5,100	5,100
Investment earnings	16	83	99
Other	-	2,357	2,357
Total additions	<u>\$ 259,951</u>	<u>\$ 7,540</u>	<u>\$ 267,491</u>
Deductions:			
Expenses of student activities	\$ 247,120	\$ -	\$ 247,120
Scholarships	-	3,100	3,100
Other endowed purposes	-	318	318
Total deductions	<u>\$ 247,120</u>	<u>\$ 3,418</u>	<u>\$ 250,538</u>
Changes in net position held in trust	\$ 12,831	\$ 4,122	\$ 16,953
Transfers and closures	-	-	-
Change after transfers/closures	<u>\$ 12,831</u>	<u>\$ 4,122</u>	<u>\$ 16,953</u>
Net position, July 1, 2013	\$ 106,558	\$ 39,094	\$ 145,652
Prior period adjustment	(1,025)	319	(706)
Net position July 1, 2013 restated	<u>105,533</u>	<u>39,413</u>	<u>144,946</u>
Net position, June 30, 2014	<u>\$ 118,364</u>	<u>\$ 43,535</u>	<u>\$ 161,899</u>

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Frenchtown School District (District) is a single district which provides education from kindergarten through the twelfth grade and adult education classes in Frenchtown, Montana. All operations of the District are controlled by a Board of Trustees, elected in District-wide elections, and responsible for all of the District'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 FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial 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 and endowment funds. Eliminations have been made to minimize the double-counting of internal activities.

The statement of net position and statement of activities 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, 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 in which eligibility requirements have been met.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; indirect expenses are specifically identified to programs or functions to the extent possible. Program revenues include fees for services (primarily drivers education fees, Medicaid and school lunch fees) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

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

Fund Financial Statements

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

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

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING, continued

Fund Financial Statements, continued

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 assets acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The governmental **major funds** are:

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

Bus Depreciation Fund— this fund accumulates resources to purchase yellow school buses in accordance with the District’s replacement plan.

Debt Service Fund—this fund is used to account for revenues collected to repay general obligation bonds.

Non-major governmental funds are: transportation fund, lunch fund, tuition fund, retirement fund, adult education fund, traffic education fund, miscellaneous fund, compensated absences fund, technology fund, flex fund, building fund, building reserve fund.

Proprietary Funds—are reported using the economic resources management focus and the accrual basis of accounting similar to the basis used for the government-wide financial statements. Revenues are recorded when earned and expenses are recorded as the time the liability is incurred, regardless of when the related cash flows take place. Investment earnings are reported as non-operating revenues. All assets and liabilities are recorded in the enterprise funds financial statements.

Self-Insurance-Health Fund—this fund is an internal service fund that accounts for medical coverage provided to the District’s employees.

Fiduciary Funds—are also reported using the economic resources measurement focus and the accrual basis of accounting.

Private Purpose Trust Funds—the District has two private-purpose trust funds, a student activity fund, which accounts for the extracurricular activities of its students, and an endowment fund which accounts for funds received for college scholarships for its graduating seniors.

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. Investments are stated at estimated fair value which approximates cost.

It is Board policy that all District funds be invested in a prudent manner so as to achieve maximum economic benefit to the District. The District’s operating cash is maintained with Missoula County which pools cash of several entities, directs its investment and shares earnings pro-ratably as explained later. Self-Insurance funds are invested with local credit unions and one commercial investment firm; student funds are banked locally in Frenchtown.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

D. INVENTORIES AND PREPAID EXPENSES

Inventories, generally maintenance supplies, are considered to be immaterial and are not recorded. Material expenditures made in the current year for costs attributable to future years are recorded as prepaid expenditures. These expenditures are recognized when used (consumption method).

E. PROPERTY TAXES

Property taxes receivable are offset by deferred inflows of resources in the fund financial statements. The District does not record an allowance for uncollectible taxes; however at June 30, 2014 \$89,258 of taxes receivable were protested. Tax levies are limited by a variety of funding formulas developed by the State, which are designed to equalize school funding throughout the state.

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 the following May 31. Personal property taxes are assessed in May based on the prior August assessment. The Missoula County Treasurer maintains property tax records, collects taxes and credits collections to the District's account at the county.

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 and useful life in excess of one year are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Land is not depreciated. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Land Improvements	15-35 Years
Buildings and Improvements	10-65 Years
Equipment	5-25 Years

G. COMPENSATED ABSENCES

Non-teaching District employees earn vacation ranging from 15 to 24 days per year depending on the individual's years of service. Vacation may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for all District employees. Teaching staff are allowed to carry over a maximum of 100 sick days from the previous year. Upon retirement or termination, employees are paid for 100 percent of unused vacation leave and 25 percent of unused sick leave. Termination payments are made at the employee's current salary rate. Part-time employees are entitled to prorated benefits.

H. COMPARATIVE TOTALS

The government-wide financial statements and the internal service fund include prior-year comparative totals and may not be at a level of detail required for a presentation in conformity with U.S. general accepted accounting principles. Accordingly, these totals should be used in conjunction with the fund financial statements for the year ended June 30, 2013, from which they have been derived.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

I. NET POSITION/FUND BALANCE

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Fund Balance – Fund balances in the governmental fund balance sheet, is divided according to the following definitions:

Nonspendable Fund Balance – is the portion of net resources that cannot be spent because of their form or because they must be kept intact.

Restricted Fund Balance – (externally enforceable limitation on use) reflects limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – (self-imposed limitations set in place prior to the end of the period) reflects limitations imposed at the highest level of decision making that requires formal action at the same level to remove.

Assigned Fund Balance – (limitations resulting from intended use) reflects intended use established by the highest level of decision making or by body or official designated by the governing body.

Unassigned Fund Balance – (residual net resources) this classification includes all balances in excess of the more restrictive classifications. Any fund that had a negative fund balance at the end of the year would report the negative in this category.

See Notes 10 and 11 for classification of elements of net position and fund balance.

J. ACCOUNTING STANDARD IMPLEMENTATION

For the year ended June 30, 2013 the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The effect of Statement No. 63 on the District financial statements was primarily a new label of "net position" and a re-classification in the internal service fund for insurance premiums received in advance. For the year ended June 30, 2013 the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* which allowed expensing costs in FY 13 and FY 14 associated with acquiring Series 2013 refunding bonds.

NOTE 2: CASH AND INVESTMENTS

Missoula County is the cash depository for the District's governmental operating funds. The District participates in the Missoula County Treasurer's investment program. Funds deposited with the County Treasurer are pooled and invested in accordance with State law. Funds are withdrawn from the investment program as needed to pay warrants. Earnings are allocated to the District based on average month-end cash balances and are distributed monthly. Information about the pooled investments is included in the County's annual financial statements found on the Missoula County website, www.co.missoula.mt.us or 200 W. Broadway, Missoula, MT 59802. Student activity trust funds are deposited in FDIC insured, interest bearing, checking accounts.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 2: CASH AND INVESTMENTS, continued

Internal service fund cash at June 30, 2014 was invested as follows:

	Interest Rate	Maturity Date	Amount
Federal Home Loan Note	1.00%	September 30, 2015	\$ 200,510
Federal Home Loan Bond	2.50%	January 18, 2016	150,273
Cash with Raymond James Co.			55,950
Cash in credit unions			<u>373,474</u>
Total			<u>\$ 780,207</u>

The above investments are stated at fair value measured from level 1 inputs. Fair value may be measured using one of three categories of inputs: Level 1 – quoted prices in active markets, Level 2- observable inputs, Level 3- unobservable inputs.

The District is allowed to treat investments maturing in 90 days or less as cash equivalents in the internal service fund.

NOTE 3: DUE FROM OTHER GOVERNMENTS AND OTHER RECEIVABLES

Due from other governments consists of federal grants of \$118,003, state grants of \$28,278, and county grants of \$13,130. The District does not recognize an allowance for uncollectible in this account since all amounts are expected to be collected.

NOTE 4: CAPITAL ASSETS

Changes to capital assets during the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of Assets:				
Land	\$ 590,662	\$ -	\$ -	\$ 590,662
Land Improvements	790,859	237,817	91,900	936,776
Buildings	27,479,629	118,378	5,810	27,592,197
Equipment	2,689,107	253,150	123,225	2,819,032
Construction in Progress	98,251	-	98,251	-
Total	<u>\$ 31,648,508</u>	<u>\$ 609,345</u>	<u>\$ 319,186</u>	<u>\$ 31,938,667</u>
Accumulated Depreciation:				
Land Improvements	\$ (507,733)	\$ (43,946)	\$ 91,900	\$ (459,779)
Buildings	(6,022,558)	(559,878)	-	(6,582,436)
Equipment	(1,810,873)	(200,834)	123,225	(1,888,482)
Total	<u>\$ (8,341,164)</u>	<u>\$ (804,658)</u>	<u>\$ 215,125</u>	<u>\$ (8,930,697)</u>
Net Book Value	<u>\$ 23,307,344</u>	<u>\$ (195,313)</u>	<u>\$ 534,311</u>	<u>\$ 23,007,970</u>

The District purchased three buses and turned in two buses, removed an existing fully depreciated track facility and replaced it, completed work on buildings started in fiscal 2013 and improved an access road.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 4: CAPITAL ASSETS, continued

Net depreciation expense was charged to functions as follows:

Regular Programs	\$ 565,701
Student Transportation	154,818
Extracurricular	38,553
Operations and Maintenance	18,246
School Food	11,920
Business Administration	15,420
Total Depreciation Expense	<u>\$ 804,658</u>

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable in the governmental funds consists of supplies and services, such as utilities used or purchased in June but billed later; the net liability of the internal service fund is also accrued in this category when consolidated to the statement of net position.

NOTE 6: DEFERRED INFLOWS

Deferred inflows in governmental funds equal property taxes receivable; in the internal service fund deferred inflows represents premiums received by June 30, 2014 but for July and August of fiscal 2015.

NOTE 7: LONG-TERM DEBT

Changes in general long-term debt during 2014 were as follows:

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Due Within One Year
General Obligation Bonds:					
Series 2007	\$ 6,335,000	\$ -	\$ 395,000	\$ 5,940,000	\$ 410,000
Series 2013	9,260,000	-	500,000	8,760,000	510,000
Lease Payable	5,388	-	5,388	-	-
Compensated Absences	625,193	-	44,021	581,172	120,802
Total	<u>\$ 16,225,581</u>	<u>\$ -</u>	<u>\$ 944,409</u>	<u>\$ 15,281,172</u>	<u>\$ 1,040,802</u>

General Obligation Bonds—

Series 2007 - The District issued \$14,935,000 of general bonds in February 2007 to finance the District's capital projects. The interest rate on the bonds varies from 4.0% to 5.0%. Interest payments are paid semi-annually. Principal payments are due annually in varying amounts to July 1, 2027. The bonds maturing on or after July 1, 2018 are subject to early redemption at a price equal to the unpaid principal plus accrued interest. During the year ended June 30, 2013 the District refunded part of its debt to obtain lower interest rates and paid \$6,314,764 against the outstanding balance of the 2007 Series bonds.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 7: LONG-TERM DEBT, continued

Series 2013 – The series 2013 refunding bonds were issued in February 2013 in the amount of \$9,345,000 to redeem all of Series 2008 bonds and a portion of the Series 2007 bonds. Interest payments are due semi-annually on January 1 and July 1; principal payments are due annually on July 1. Interest rates vary from 1.75% to 3.0%. The bonds mature on July 1, 2027. The 2013 refunding bonds are expected to save the District \$ 509,961.

Capital Leases—in 2009 the District entered into a lease purchase agreement for copiers with a purchase option price of \$43,166. The payment schedule was for 5 years (January 2009 through December 2013). The interest rate was 4.93%. Payments were made from the general fund. The last payment occurred in fiscal 2014.

Compensated absences—payments are made by the affected fund, usually the general fund; however, compensated absence payments can be made by the compensated absences fund, a special revenue fund. Vacation pay is classified as compensated absences due within one year, accrued sick leave is classified as non-current.

Debt service to maturity table:

Year Ended June 30	2007 Bonds		2013 Refunding Bond		Total
	Principal	Interest	Principal	Interest	
2015	\$ 410,000	\$ 258,663	\$ 510,000	\$ 217,125	\$ 1,395,788
2016	430,000	241,238	520,000	233,925	1,425,163
2017	445,000	222,963	535,000	196,525	1,399,488
2018	470,000	204,050	545,000	185,825	1,404,875
2019	985,000	185,250	60,000	174,925	1,405,175
2020	1,025,000	136,000	60,000	173,725	1,394,725
2021	1,065,000	92,437	65,000	172,675	1,395,112
2022	1,110,000	47,174	65,000	171,538	1,393,712
2023			1,220,000	170,400	1,390,400
2024			1,245,000	146,000	1,391,000
2025			1,270,000	114,875	1,384,875
2026			1,310,000	79,950	1,389,950
2027			1,355,000	40,650	1,395,650
Total	\$ 5,940,000	\$ 1,387,775	\$ 8,760,000	\$ 2,078,138	\$ 18,165,913

Total debt service to maturity for long-term debt is \$14,700,000 principle and estimated \$3,465,913 interest.

NOTE 8: ESTIMATED RETIREE HEALTH CARE COSTS/OTHER POST EMPLOYMENT BENEFITS (OPEB)

State law (MCA 2-18-704) requires that retirees with at least five years of service and at least 50 years old are allowed to participate in the District's self-insured medical coverage plan until they become eligible for Medicare coverage. Retirees are required to pay the full premium for such coverage. The District commissioned an actuarial study of the potential OPEB liability and it was determined that there is no OPEB liability. This opinion was re-affirmed in 2012.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 9: INTERFUND TRANSFERS

As permitted by MCA 20-9-512, the general fund may transfer cash at the end of the year to the compensated absence fund; for the year ended June 30, 2014 a \$13,500 transfer was made. The compensated absence fund may have a maximum funding of 30% of total accumulated sick and vacation leave of nonteaching and administrative school employees.

NOTE 10: GOVERNMENT-WIDE RESTRICTED NET POSITION

Restricted Net Position—state law authorizes certain funds and establishes the criteria for property tax levies and certain other shared payments for specific purposes. Certain assets may be restricted by bond covenants or grantors. The District classifies all or a portion of net assets of these funds as restricted net assets. Generally the District applies restricted resources to expenses incurred before using unrestricted resources when both types are available.

These funds and their net restricted position at June 30, 2014 are as follows:

Debt Service	\$	204,616
Bus Depreciation		282,240
Retirement		253,938
Miscellaneous Fund		102,200
Transportation		73,283
Adult Education		6,403
Building Reserve		13,603
Tuition		5,571
Traffic Education		8,702
Technology		14,296
Health Insurance		<u>549,205</u>
Total	\$	<u><u>1,514,057</u></u>

NOTE 11: GOVERNMENT FUND BALANCE REPORTING

The District implemented *Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. Restricted fund balances are reported in the aggregate on the face of the governmental funds balance sheet.

Where appropriate, the District spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the District spends committed first, then assigned, and lastly, unassigned funds.

Committed funds must be designated by the District Board and assigned funds are designated by the Superintendent as authorized by the District Board. There were no committed funds at June 30, 2014.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 11: GOVERNMENT FUND BALANCE REPORTING, continued

Fund balance components at June 30, 2014 were:

Restricted fund balance consists of the following:

Restricted for expenditure related to:

Debt service	\$ 204,616
Instruction and support	102,200
Transportation and buses	355,523
Retirement	253,938
Operation and maintenance	13,603
Adult education and traffic education	15,105
Tuition	5,571
Technology	<u>14,296</u>
Total restricted fund balance	<u>\$ 964,852</u>

Assigned fund balance consists of the following:

Assigned for encumbrances:

General fund	\$ 257,777
Non-major funds	<u>30,800</u>
Total encumbrances	<u>288,577</u>

Assigned for instruction and support 199,163

Assigned for school food 10,289

Total assigned fund balance \$ 498,029

Unassigned fund balance consists of the following:

General fund \$ 824,039

Total fund balance reported in the governmental funds \$ 2,286,920

NOTE 12: PRIOR PERIOD ADJUSTMENT EXPLANATION

Fund	Adjustment Amount	Purpose
General	17,527	Restore fund balance for adjustments to encumbrances
Bus Depreciation	69,200	Restore fund balance for cancelled bus order previously encumbered
Non-Major funds:		
Transportation	615	Restore fund balance for adjustments to encumbrances
Miscellaneous Fund	(30,700)	Clean up of old reporter accounts

NOTE 13: 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 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 members and beneficiaries.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 13: RETIREMENT PLANS, continued

Contribution rates for both plans are required and determined by state law. There were no changes in contribution rates for MTRS and MPERS in 2014. The contribution rates, expressed as a percentage of covered payroll:

	Employer	Employee	State	Total	
MTRS	7.47%	7.15%	2.49%	17.11%	Hired prior to 7/1/13
MTRS	8.47%	8.15%	2.49%	19.11%	Hired 7/1/13 or after
MTRS	9.85%	8.15%	2.49%	20.49%	Retiree who return to covered employment
MPERS	6.80%	6.90%	0.37%	14.07%	Hired prior to 7/1/11
MPERS	6.80%	7.90%	0.37%	15.07%	Hired 7/1/11 through 6/30/13
MPERS	7.80%	7.90%	0.37%	16.07%	Hired 7/1/13 or after

The amounts contributed to MTRS and MPERS during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution of 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:

	2012	2013	2014
MTRS	\$ 763,272	\$ 780,058	\$ 857,973
MPERS	154,557	160,984	194,478
Total	<u>\$ 917,829</u>	<u>\$ 941,042</u>	<u>\$ 1,052,451</u>

The State's contributions to the plans in 2014 were \$152,351 for MTRS and \$5,253 for MPERS. This on-behalf-of payment was included in revenue and expenditures in the governmental funds statements.

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 East Sixth Avenue
Helena, MT 59920-0139
Telephone: (406) 444-3134

MT Public Employees Retirement System
P.O. Box 200131
100 North Park Ave, Suite 200
Helena, MT 59620-0131
Telephone: (406) 444-3154

NOTE 14: RISK MANAGEMENT

The District faces a number of risks including (1) loss or damage to property, (2) general liability, (3) workers compensation, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, and general liability.

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 school districts participate in WCRRP. All school districts 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, charges in claims liabilities, and amount of claims paid, operating results and other information is available at 1 South Montana Avenue, Helena, MT 59601.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2014

NOTE 14: RISK MANAGEMENT, continued

The Districts self-insures some medical, dental, and vision health coverage. This activity is accounted for in an internal service fund. The self-insurance program provides coverage for up to \$45,000 for the medical expenses of each participating employee, retiree, and family member. For the purpose of the statement of cash flows all activities, except results of investing, are considered operations.

The District purchases commercial insurance for claims in excess of medical coverage provided by the fund. Dental expenses are paid per covered person up to \$1,000 per year. Any amount above this is paid by the participants. The fund also provides life and disability insurance for District employees.

Changes in medical claims liabilities were as follows:

	Processed Claims	Estimated CIBNR	Total
Claims Liability, June 30, 2013	\$ 20,932	\$ 165,112	\$ 186,044
Claims Incurred in 2014	994,909	-	994,909
Claims Paid in 2014/Changes in estimate	(937,547)	(58,657)	(996,204)
Claims Liability, June 30, 2014	\$ 78,294	\$ 106,455	\$ 184,749

Prior to the fiscal year end, the District pays the health insurance premiums for July and August of the next fiscal year. These advance premium payments are reported as deferred inflows.

Receivables at June 30, 2013 and June 30, 2014 consist of payments due from the plan's stop-loss insurer for claims in excess of the self-insurance maximum.

The District purchases insurance for property and liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Frenchtown School District
Missoula County, Montana

General Fund-Schedule of Revenues, Expenditures and Changes in Encumbrances-
Budget to Actual
for the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance	GAAP Encumbrance Adjustment	Fund Financial Statement
Revenues						
District property taxes	\$ 1,854,744	\$ 1,854,744	\$ 1,832,055	\$ (22,689)	-	\$ 1,832,055
Intergovernmental:						
State equalization	6,107,846	6,132,424	6,132,425	1	-	6,132,425
State other	-	-	-	-	-	-
Federal payments	-	-	-	-	-	-
Interest	3,864	3,864	2,906	(958)	-	2,906
Other	2,976	2,976	7,710	4,734	-	7,710
Total revenues	<u>\$ 7,969,430</u>	<u>\$ 7,994,008</u>	<u>\$ 7,975,096</u>	<u>\$ (18,912)</u>	<u>-</u>	<u>\$ 7,975,096</u>
Expenditures						
Current operations:						
Instruction:						
Regular program	\$ 3,625,070	\$ 3,643,867	\$ 3,643,866	\$ 1	(83,777)	\$ 3,560,089
Special program	734,452	734,452	733,544	908	(52,659)	680,885
Support services	709,265	711,128	710,358	770	168,278	878,636
Administration:						
General	145,344	143,344	140,745	2,599		140,745
School	506,000	506,000	505,361	639	11,188	516,549
Financial	480,463	480,463	480,455	8	(3,534)	476,921
Student Transportation	1,845	2,173	2,173	-	(62)	2,111
Operations and maintenance	1,237,860	1,237,860	1,237,416	444	38,417	1,275,833
School food	106,407	107,431	104,000	3,431	-	104,000
Extracurricular	326,343	326,343	336,645	(10,302)	6,593	343,238
Capital outlay	81,365	81,365	81,365	-	43,417	124,782
Debt service	5,016	5,016	5,014	2	-	5,014
Total expenditures	<u>\$ 7,959,430</u>	<u>\$ 7,979,442</u>	<u>\$ 7,980,942</u>	<u>\$ (1,500)</u>	<u>127,861</u>	<u>\$ 8,108,803</u>
Excess/(deficiency) of revenues over expenditures and encumbrances	\$ 10,000	\$ 14,566	\$ (5,846)	\$ (17,412)		\$ (133,707)
Transfers in (out)	\$ (10,000)	\$ (15,000)	\$ (13,500)	\$ 1,500		\$ (13,500)
Excess/(deficiency) of revenues over expenditures and transfers	<u>\$ -</u>	<u>\$ (434)</u>	<u>\$ (19,346)</u>	<u>\$ (15,912)</u>		<u>\$ (147,207)</u>

Frenchtown School District
Missoula County, Montana

Bus Depreciation-Schedule of Revenues, Expenditures and Changes in Encumbrances-
Budget to Actual
for the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance	GAAP Encumbrance Adjustment	Fund Financial Statement
Revenues						
District property taxes	\$ 200,000	\$ 200,000	\$ 183,218	\$ (16,782)	-	\$ 183,218
Interest	1,089	1,089	903	(186)	-	903
Total revenues	<u>\$ 201,089</u>	<u>\$ 201,089</u>	<u>\$ 184,121</u>	<u>\$ (16,968)</u>	<u>-</u>	<u>\$ 184,121</u>
Expenditures						
Capital outlay	\$ 483,156	\$ 483,156	\$ 253,149	\$ 230,007	-	\$ 253,149
Total expenditures	<u>\$ 483,156</u>	<u>\$ 483,156</u>	<u>\$ 253,149</u>	<u>\$ 230,007</u>	<u>-</u>	<u>\$ 253,149</u>
Excess/(deficiency) of revenues over expenditures and encumbrances	\$ (282,067)	\$ (282,067)	\$ (69,028)	\$ (246,975)	-	\$ (69,028)

Notes to the Budget and Actual Schedules

State law requires the District to prepare budgets for certain funds, generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis of accounting. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. The 2013-2014 original general fund budget of \$7,969,430 was amended in May 2014 to reflect an additional \$24,578 available because of the increase in enrollment.

General fund budgets are based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board approves the original budget by the second Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. There were encumbrances in the general fund of \$385,637 at June 30, 2013 and \$257,776 at June 30, 2014; a change of \$127,861.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

Reserved Fund Balances—State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted for the District, which is a percentage of the subsequent year's budgeted expenditures, and the actual reserves at June 30, 2014 are as follows:

	Actual	Allowed
General Fund	10.36%	10%
Transportation Fund	7.55%	20%
Retirement Fund	20.00%	35%
Adult Education	0%	35%

State law also permits the District to reserve the collection of protested and delinquent property taxes in the general fund. The District reported a reserve of \$28,526 for protested taxes in its 2013-2014 budget report.

SUPPLEMENTARY INFORMATION

Frenchtown School District
Missoula County, Montana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Project Title	CFDA Number	Project Number	Award	Expenditures	Totals
U.S. Department of Agriculture					
Food and Nutrition Service					
Pass Through - Montana Office of Public Instruction					
Child Nutrition Cluster:					
Cash Assistance:					
School Breakfast Program	10.553	N/A	N/A	\$ 11,795	
School Lunch Program	10.553	N/A	N/A	156,555	
Federal Child Nutrition	10.553	N/A	N/A	269,936	
CFDA 10.555 Cash Total				<u>\$ 438,286</u>	\$ 438,286
Non-Cash Assistance (Commodities)					
National School Lunch program	10.555	N/A	N/A	\$ 17,274	17,274
Total for Program Cluster					
Total U.S. Department of Agriculture					
					<u>\$ 455,560</u>
U.S. Department of Education					
Office of elementary and Secondary Education					
Pass-Through - Montana Office of Public Education					
Title I, Part A:					
Title I, Part A Improving Basic Programs	84.010A	32-0599-31-14	274,662	\$ 274,622	
Total Title I, Part A and CFDA 84.010 Total					
				<u>\$ 274,622</u>	\$ 274,622
Title II, Improving Teacher Quality					
Title II, Part A, Improving Teacher Quality	84.367	32-0599-14-13	45,245	\$ 1,808	
Title II, Part A, Improving Teacher Quality	84.367A	32-0599-14-14	43,047	43,047	
Total Title II, Part A and CFDA 84.367 Total					
				<u>\$ 44,855</u>	44,855
Impact Aid	84.041	32-0599-00-00	15,262	15,262	15,262
Gear UP - assistance for ACT exam	84.334	320599-00-00	1,725	1,725	1,725
Office of Special Education and Rehabilitation Services					
Pass Through - Montana Office of Public Instruction					
Special Education Cluster:					
IDEA - Part B Children with disabilities	84.027	32-0599-77-14	209,061	\$ 209,061	
IDEA - Preschool	84.173	32-0599-77-14	8,754	8,754	
Total Special Education Cluster IDEA					
				<u>\$ 217,815</u>	217,815
Office of vocational and Adult Education					
Pass-Through - Montana Office of Public Instruction					
Carl Perkins - Vo Ed	84.048A	32-0599-82-14	13,654	\$ 13,654	13,654
Total U.S. Department of Education					
					<u>\$ 567,933</u>
Total Expenditures of Federal Awards					
					<u>\$ 1,023,493</u>

Frenchtown School District
Missoula County, Montana

Notes to the Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2014

1. Accounting Policies

The accounting policies used in preparing the schedule of expenditure of federal awards are the same as those used in the preparation of the fund financial statements as described in Note 1.B to the financial statements (fund financial statements).

Frenchtown School District
Missoula County, Montana

Schedule of School District Enrollment
For the Year Ended June 30, 2014

	School Records	Enrollment Records	Variance
<u>Fall Enrollment-October 2013</u>			
Pre-Kindergarten	-	-	-
Kindergarten	89	89	-
Grades 1-6	525	525	-
Grades 7 & 8	191	191	-
Grades 9-12	389	389	-
Combined Total	<u>1,194</u>	<u>1,194</u>	-
<u>Winter Enrollment-December 2013</u>			
Pre-Kindergarten	-	-	-
Kindergarten	90	90	-
Grades 1-6	527	527	-
Grades 7 & 8	192	192	-
Grades 9-12	380	380	-
Combined Total	<u>1,189</u>	<u>1,189</u>	-
<u>Spring Enrollment-February 2014</u>			
Pre-Kindergarten	-	-	-
Kindergarten	91	91	-
Grades 1-6	530	530	-
Grades 7 & 8	199	199	-
Grades 9-12	376	376	-
Combined Total	<u>1,196</u>	<u>1,196</u>	-
<u>Part Time Spring Enrollment</u>			
<180 hrs/yr	-	-	-
180-359 hrs/yr	-	-	-
360-539 hrs/yr	2	2	-
540-719 hrs/yr	-	-	-
<u>Early High School Graduates-Spring</u>	1	1	-
<u>19 Year-olds at Spring Enrollment</u>	1	1	-

Frenchtown School District
Missoula County, Montana

Extracurricular Fund-Schedule of Revenues, Expenditures and Changes in Fund Equity
by Student Activity
For the Year Ended June 30, 2014

Organization	Balance June 30, 2013	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2014
"F" Club	\$ 33	\$ -	\$ -	\$ (33)	\$ -
50/50 Fund Raiser	106	-	-	(106)	-
Academic Challenge	898	3,765	3,153	-	1,510
Activities	22,476	19,065	9,669	5,874	37,746
Alternative Education	34	-	-	(34)	-
Art Club	66	-	-	-	66
Band	1,813	31,891	31,967	(67)	1,670
BBB Fund Raiser	-	10,043	10,043	100	100
Box Top Education	534	20	554	-	-
Boys Basketball	-	4,842	3,479	(1,363)	-
Candy Machine	1,817	3,922	2,409	(1,000)	2,330
Cheerleaders	694	1,994	1,596	-	1,092
Choir	1	7,463	6,683	(1)	780
Class of 2018	-	-	-	800	800
Class of 2017	400	-	-	-	400
Class of 2016	767	287	63	-	991
Class of 2015	370	4,387	2,417	-	2,340
Class of 2014	2,501	1,414	3,653	-	262
Class of 2013	134	276	-	(410)	-
Class of 2012	1,782	-	-	(1,782)	-
Class of 2011	467	-	-	(467)	-
Class of 2005	-	-	(128)	(128)	-
Community Leadership	191	-	-	(191)	-
Concessions	18,511	27,210	24,441	-	21,280
Creative Film Club	120	-	-	(120)	-
Cross Country	-	550	287	(263)	-
Cross Country Fund Raiser	539	1,729	2,151	374	491
Destination Imagination K-6	25	275	296	-	4
Divisional Track	-	2,512	3,464	952	-
Elementary P.E. Fund	1,786	1,196	975	-	2,007
Elementary Special Ed. Projects	573	-	-	-	573
Elementary Comp For Education	2,633	-	2,633	-	-
Elementary Recycling	339	-	-	-	339
Environmental Issues	73	-	-	(73)	-
FCCLA	328	1,853	1,590	-	591
Football Gold Card Fund Raiser	1,262	7,074	5,838	222	2,720
Football	-	6,472	3,924	(2,548)	-
Foreign Language Club	1,453	-	659	(794)	-
GBB Fund Raiser	3,365	6,552	6,148	-	3,769
Girls Basketball	-	4,949	4,482	(467)	-
Golf	-	300	625	325	-
Golf Fund Raiser	11	-	-	-	11
Grade School Activities	2,313	13,085	11,096	-	4,302
Home Economics	20	-	-	795	815
In & Out	26	6,476	6,416	-	86
Industrial Tech Club	362	15	-	20	397
Sub-Total	\$ 68,823	\$ 169,617	\$ 150,583	\$ (385)	\$ 87,472

(continued on next page)

Frenchtown School District
Missoula County, Montana

Extracurricular Fund-Schedule of Revenues, Expenditures and Changes in Fund Equity
by Student Activity
For the Year Ended June 30, 2014

Organization	Balance June 30, 2013	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2014
(continued from previous page)					
Sub-Total	\$ 68,823	\$ 169,617	\$ 150,583	\$ (385)	\$ 87,472
Intermediate Activities	-	860	586	-	274
Jr. High Festival	885	-	-	-	885
Jr. High GBB Fundraiser	335	-	-	-	335
Jr. High Lounge/Pop	84	450	432	-	102
Jr. High Soccer Fundraiser	-	44	-	-	44
Jr. High Tackle Football	157	16,689	15,164	-	1,682
Jr. High Volleyball Fundraiser	167	-	-	-	167
JMG (Jobs for MT Grads)	242	290	379	-	153
Jr. High Activities	671	3,673	3,693	-	651
Jr. High Graduation	790	5,372	5,027	(800)	335
Jr. High Student Council	1,375	5,440	6,602	-	213
Key Club	1,681	2,026	3,706	220	221
Lock Deposit Account	1,475	-	1,475	-	-
Math Counts	119	-	-	-	119
National Honor Society	26	-	-	(26)	-
Newspaper	248	-	-	-	248
NHS Scholarship	1,351	3,816	2,068	1,076	4,175
Parking Permits	686	-	686	-	-
Pep Club	345	1,585	1,201	-	729
Percussion Fundraiser	-	240	240	49	49
Resale	222	-	-	(222)	-
S.A.D.D.	82	-	-	(82)	-
S.C. Improvement Fund	2,459	-	1,567	2,788	3,680
Softball Fundraiser	5,330	4,343	3,721	-	5,952
School Play	936	9,338	9,818	-	456
Soccer	-	3,897	3,437	(460)	-
Soccer Fundraiser-Boys	344	67	-	-	411
Soccer Fundraiser-Girls	129	67	101	-	95
Softball	-	9,475	8,354	(1,121)	-
Speech & Drama	-	905	362	(543)	-
Speech & Drama Club	-	450	417	-	33
Spirit, Pride & Student Assistance	2,927	1,249	4,176	-	-
Student Council	1,683	5,056	5,681	(250)	808
Track	-	1,475	549	(926)	-
Track Facilities	165	-	165	-	-
Track Fundraiser	-	1,813	1,436	(374)	3
Vietnam Symposium	143	-	-	(143)	-
Volleyball	-	3,346	4,113	767	-
Volleyball Fundraiser	4,281	882	3,126	-	2,037
WR Fundraiser	339	1,249	833	(20)	735
Wrestling	-	1,337	1,792	455	-
Yearbook	7,033	4,896	5,629	-	6,300
Fractional Interest Rounding	-	3	-	(3)	-
Total	\$ <u>105,533</u>	\$ <u>259,950</u>	\$ <u>247,119</u>	\$ <u>-</u> *	\$ <u>118,364</u>

STATISTICAL INFORMATION

Frenchtown School District
Missoula County, Montana

Supplemental Information
For the Year Ended June 30, 2014

Student Enrollment

The fall enrollment of K-12 students, for the years ended June 30, attending the District's schools has been as follows:

	Fall Enrollment	Percentage Change
October 2004	1,203	
Change	53	4.4%
October 2005	1,256	
Change	(26)	(2.1)%
October 2006	1,230	
Change	4	0.3%
October 2007	1,234	
Change	15	1.2%
October 2008	1,249	
Change	(3)	(0.2)%
October 2009	1,246	
Change	(64)	(5.1)%
October 2010	1,182	
Change	(16)	(1.4)%
October 2011	1,166	
Change	(4)	(0.3)%
October 2012	1,162	
Change	32	2.8%
October 2013	1,194	

School District Taxable Valuations

	Assessed (Market) Valuation	Taxable Valuation	Taxable Valuation as a Percent of Assessed Valuation
January 1, 2005	\$ 418,100,000	\$ 13,200,000	3.16%
January 1, 2006	\$ 458,600,000	\$ 13,700,000	2.99%
January 1, 2007	\$ 444,200,000	\$ 13,100,000	2.95%
January 1, 2008	\$ 461,500,000	\$ 13,500,000	2.93%
January 1, 2009	\$ 473,400,000	\$ 13,300,000	2.81%
January 1, 2010	\$ 446,100,000	\$ 11,800,000	2.65%
January 1, 2011	\$ 420,900,000	\$ 10,900,000	2.59%
January 1, 2012	\$ 436,600,000	\$ 11,000,000	2.52%
January 1, 2013	\$ 452,000,000	\$ 11,043,405	2.43%
January 1, 2014	\$ 469,300,000	\$ 11,200,000	2.38%

Frenchtown School District
Missoula County, Montana

Supplemental Information
For the Year Ended June 30, 2014

School District Tax Levies (in mills)

Taxing Entity	Fiscal Year Ended June 30,							
	2007	2008	2009 ¹	2010	2011	2012	2013	2014
School District No.40								
General Fund	156.20	156.80	161.39	155.71	164.70	167.60	166.84	167.68
Transportation	11.46	14.18	20.46	20.70	16.25	17.32	20.47	20.02
Debt Service	10.15	112.29	74.04	98.50	100.33	100.93	104.46	95.81
Bus Depreciation	6.66	4.88	9.60	8.25	6.31	0.69	0.71	18.08
Building Reserve	3.64	3.81	4.02	0.00	0.00	0.00	0.00	0.00
Technology	2.55	2.67	2.81	2.62	2.88	3.20	3.17	3.16
Adult Education	0.00	0.00	2.00	2.00	0.00	0.00	0.00	1.00
Total School District	<u>190.66</u>	<u>294.63</u>	<u>274.32</u>	<u>287.78</u>	<u>290.47</u>	<u>289.74</u>	<u>295.65</u>	<u>305.75</u>
State School Levy	144.26	144.26	145.64	144.62	143.45	142.50	140.17	144.60
District Levy	190.66	294.63	274.32	285.78	290.47	289.74	295.65	305.75
State Levy-University	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
County	168.14	168.14	176.57	174.74	175.58	177.91	181.42	186.69
Frenchtown Rural Fire District	42.08	136.19	46.46	46.46	46.46	46.46	50.14	54.14
Others: MUTD, Elk Meadows							136.34	175.30
Total	<u>551.14</u>	<u>749.22</u>	<u>648.99</u>	<u>657.60</u>	<u>661.96</u>	<u>662.61</u>	<u>809.72</u>	<u>872.48</u>

¹ 2009 mill value amounts include a total of 14.55 additional mills to correct a tax levy calculation error regarding a taxable valuation error in 2007.

Tax Collections

Fiscal Year	Total Tax Levy	Current Collections	Current	Total Tax Collections ¹	Total
			Collections as a Percent of Levy		Collections as a Percent of Levy
2013/14	\$ 3,382,125	\$ 3,174,512	93.90%	\$ 3,283,214	97.1%
2012/13	\$ 3,265,102	\$ 2,971,706	91.0%	\$ 3,278,005	100.4%
2011/12	\$ 3,169,351	\$ 2,931,090	92.5%	\$ 3,132,220	98.8%
2010/11	\$ 3,408,030 ²	\$ 3,227,404	94.7%	\$ 3,465,967	101.7%
2009/10	\$ 3,811,241	\$ 3,264,974	85.7%	\$ 3,764,278	98.8%
2008/09	\$ 3,511,719	\$ 2,944,114	83.8%	\$ 3,155,419	89.9%
2007/08	\$ 3,862,636	\$ 3,598,797	93.2%	\$ 3,670,049	95.0%
2006/07	\$ 2,396,146	\$ 2,194,796	91.6%	\$ 2,352,583	98.1%
2005/06	\$ 2,498,907	\$ 2,380,935	95.3%	\$ 2,490,662	99.7%
2004/05	\$ 2,302,229	\$ 2,060,084	89.5%	\$ 2,332,445	101.3%
2003/04	\$ 2,120,959	\$ 2,012,407	94.9%	\$ 2,375,784 ³	112.0% ³
2002/03	\$ 2,003,714	\$ 1,566,753	78.2%	\$ 1,653,285 ³	82.5% ³
2001/02	\$ 1,565,337	\$ 1,463,827	93.5%	\$ 1,589,086	101.5%

¹ Total tax collection figures include delinquencies from prior years, plus correction tax levy for 2003, but excludes penalty and interest.

² Levied amount differed from budgeted amount due to adjustments made by the County between the budgeting process and the actual levy.

³ The County Treasurer did not bill for certain tax levies in 2003; the levies were billed in 2004.

Frenchtown School District
Missoula County, Montana

Supplemental Information
For the Year Ended June 30, 2014

Major Taxpayers

The taxable values of the District's ten largest taxpayers are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>January 1, 2014 Taxable Value</u>	<u>Percent of Ten Largest Values</u>	<u>Percent of Total Taxable Value</u>
M2Green Redevelopment LLC	Industrial	\$ 360,487	21.60%	3.2292%
Montana Rail Link	Railroad	356,817	21.38%	3.1963%
Missoula Electric Coop INC	Electric Utility	268,428	16.09%	2.4055%
NorthWestern Energy	Gas and Electric Utility	240,255	14.40%	2.1528%
Montana Stewards LLC	Town Pump Travel Plaza	140,810	8.44%	1.2618%
Centurylink INC	Tele-Communications	99,447	5.96%	0.8910%
Verizon Wireless	Tele-Communications	68,346	4.10%	0.6130%
AT&T Mobility	Tele-Communications	47,922	2.87%	0.4291%
Decker Montana Land Company LLC	Agricultural/Land	43,508	2.61%	0.3902%
4M Family Limited Partnership	Truck Stop (Muralts)	42,633	2.55%	0.3812%
Total		<u>\$ 1,668,653</u>	<u>100.00%</u>	<u>14.9500%</u>

Maximum Bonded Indebtedness

State law permits a maximum bonded indebtedness for the school district of 100% of the District's taxable valuation at June 30, 2014 of \$11,159,357. However, for school districts that qualify for guaranteed tax base aid, the law permits maximum bonded indebtedness equal to 50% of the statewide taxable valuation per student time's average number belonging (ANB).

Maximum bonded indebtedness under this exception is:

	<u>State Guarantee Per Student</u>	<u>Average Number Belonging June 30, 2014</u>	<u>Percent Allowed</u>	<u>Maximum Bonded Indebtedness</u>
High School	\$ 29,791	403	50%	\$ 6,002,887
Elementary	\$ 25,729	844	50%	10,857,638
Maximum Bonded Indebtedness Allowed				<u>16,860,525</u>
Less:				
Outstanding Bonds at June 30, 2014				<u>(15,281,172)</u>
Maximum Bonded Indebtedness Available				<u>\$ 1,579,353</u>

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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
Frenchtown School District No. 40
Missoula County
Frenchtown, Montana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Frenchtown School District (District) No. 40, Missoula County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued my report thereon dated March 1, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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 basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, I 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 my audit, and accordingly I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of my 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.

Cote & Associates, CPA, PLLC

March 1, 2015
Missoula, Montana

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frenchtown School District No. 40
Missoula County
Frenchtown, MT

Report on Compliance for Each Major Federal Program

I have audited Frenchtown School District No.40's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulation, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each major Program

In my opinion the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of the District as of and for the year ended June 30, 2014 and have issued my report thereon dated March 1, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cote & Associates, CPA, PLLC

March 1, 2015
Missoula, Montana

Frenchtown School District
Missoula County, Montana

Schedule of Findings and Questioned Costs and Prior Audit Findings
For the Year Ended June 30, 2014

<i>Financial Statements</i>	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting: <ul style="list-style-type: none"> • Material weakness(es) identified? • Reportable condition(s) identified that are not considered to be material weaknesses? 	No No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs: <ul style="list-style-type: none"> • Material weakness(es) identified? • Reportable condition(s) identified that are not considered to be material weaknesses? 	No None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on OMB Circular A-133?	No
Identification of major programs:	<ul style="list-style-type: none"> • Title I, Part A Cluster-CFDA 84.010 • Child Nutrition Cluster- CFDA 10.553, 10.555
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Frenchtown School District
Missoula County, Montana

Schedule of Findings and Questioned Costs and Prior Audit Findings
For the Year Ended June 30, 2014

SCHEDULE OF FINDINGS

NONE

REPORT ON PRIOR FINDINGS

2013-1 and 2012-1

Criteria: Montana School Districts are limited to 3-year leases for real and personal property. (MCA 20-6-609 and 20-10-110).

Condition: During the year ended June 30, 2013 Frenchtown School District No. 40 (District) made payments for months 43-54 of a 60 month (5 year) lease for copiers.

During fiscal year 2014 the District made the last payment on the above referenced lease and did not initiate any new leases.