

FRENCHTOWN SCHOOL DISTRICT NO. 40
Missoula County, Montana

AUDITED FINANCIAL STATEMENTS AND
REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

June 30, 2015

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Frenchtown School District No. 40
June 30, 2015

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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, 2015, 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 modified 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, 2015 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 4-10 and 46-48 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.

Supplementary 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.

Other Information

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 February 28, 2016, 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

Cote & Associates, CPA, PLLC

February 28, 2016
Missoula, Montana

Frenchtown School District
June 30, 2015

ORGANIZATION

For the Fiscal Year Ended June 30, 2015

Board of Trustees

Debbie Lester	Chairman
Dave Weber	Vice Chairman
Evan Jordan	Trustee
Kayla Johnson	Trustee
Jami Romney FitzGerald	Trustee
Teresa Teagle	Trustee
Trisha Piedalue	Trustee

Officials

Randy Cline	District Superintendent
Cindy McMurray	District Clerk
Kirsten Pabst	County Attorney
Erin Lipkind	County Superintendent of Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. It should be read in conjunction with the financial statements and notes. Frenchtown School District's 2015 fiscal year (FY) was July 1, 2014 through June 30, 2015.

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 2014-2015

The District's budget has suffered since 2009 following the closure of the Smurfit-Stone Container linerboard plant. The plant property has been the highest value taxable property in the District but slipped to number two 2015; the current corporate owner of the plant is in arrears on its tax payments. A list of the top ten taxpayers appears in the supplementary information section. A significant tax settlement reduced the balance of protested tax receivables from \$89,258 at the end of fiscal 2014 to \$43,075 at the end of fiscal 2015; protested tax settlements are at the county or state level so the District does not have any control over amount or timing.

The District made the following capital or major repair purchases during the fiscal year: \$ 17,015 repair to elementary roof, \$16,652 for elementary safety and windows upgrades, \$10,427 for furnace upgrade, \$20,998 in heating system upgrades in the junior high/high school system, \$7,491 upgrade to the District wide computer server, \$34,499 in safety and emergency response upgrades and \$12,800 for a new tractor.

The District's first fiscal 2015 official pupil count in October 2014 was 1,200 which was four greater than the last count in the prior school year; the count fell by two at the February 2015 count date.

For financial reporting for the year ended June 30, 20-15 the District implemented Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* which requires the District to report its proportionate share of the net pension liability for the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) in the Government-wide financial statements. Full disclosure for details related to the two systems is in Note 15 to the financial statements.

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

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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 tables on the following pages.

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

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Table 1	2015	2014	Change	%	GASB 68 Changes
Current assets	\$ 4,243,097	\$ 3,649,030	\$ 594,067	16.3	
Capital assets, net	22,406,271	23,007,970	(601,699)	(2.6)	
Total assets	<u>\$ 26,649,368</u>	<u>\$ 26,657,000</u>	<u>\$ (7,632)</u>	(0.0)	
Deferred Outflows	\$ 802,675	\$ -	\$ 802,675		802,675
Current liabilities	\$ 1,255,680	\$ 1,235,956	\$ 19,724	1.6	
Noncurrent liabilities	20,761,368	14,283,475	6,477,893	45.4	7,350,141
Total liabilities	<u>\$ 22,017,048</u>	<u>\$ 15,519,431</u>	<u>\$ 6,497,617</u>	41.9	
Deferred Inflows	\$ 1,358,124	\$ 77,697	\$ 1,280,427		1,275,054
Net position:					
Net investment in capital assets	\$ 8,626,271	\$ 8,307,970	\$ 318,301	3.8	
Restricted net position	1,974,089	1,514,057	460,032	30.4	
Unrestricted net position	<u>(6,523,434)</u>	<u>1,237,845</u>	<u>(7,761,279)</u>	(627.0)	(7,822,520)
Total net position	<u>\$ 4,076,926</u>	<u>\$ 11,059,872</u>	<u>\$ (6,982,946)</u>	(63.1)	

Table 1 Comments: The column to the right of the main table shows the effect of implementing GASB 68 on net position; deferred outflows, noncurrent liabilities, deferred inflows and net position changed by amounts which were primarily attributable to GASB 68 implementation. Net investment in capital assets increased from the addition of \$145,484 in assets and decrease in debt of \$920,000. Otherwise net position was fairly stable.

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

Table 2	2015	2014	Change	%	GASB 68 Changes
Revenues					
Program revenue					
Charges for services	\$ 926,291	\$ 608,326	\$ 317,965	52.27	
Operating grants and contributions	1,749,885	1,504,004	245,881	16.35	274,104
Capital grants and contributions	24,691	72,543	(47,852)	(65.96)	
General Revenue					
District property taxes	\$ 3,674,748	\$ 3,390,656	\$ 284,092	8.38	
State revenues	6,304,759	6,326,673	(21,914)	(0.35)	
County property taxes	1,319,268	1,130,424	188,844	16.71	
Investment earnings	7,057	6,656	401	6.02	
Other	33,146	27,380	5,766	21.06	
Total revenues	<u>\$ 14,039,845</u>	<u>\$ 13,066,662</u>	<u>\$ 973,183</u>	7.45	
Expenses:					
Instruction programs	\$ 7,388,930	\$ 6,118,733	\$ 1,270,197	20.76	110,539
Support services	812,624	1,531,662	(719,038)	(46.94)	
Administration	1,425,187	1,387,012	38,175	2.75	
Operation and maintenance	1,320,116	1,432,136	(112,020)	(7.82)	
Student transportation	546,257	550,476	(4,219)	(0.77)	
School food	649,511	682,965	(33,454)	(4.90)	
Extracurricular	448,574	418,890	29,684	7.09	
Interest	478,047	508,981	(30,934)	(6.08)	
Total expenses	<u>\$ 13,069,246</u>	<u>\$ 12,630,855</u>	<u>\$ 438,391</u>	3.47	
Changes in net position	\$ 970,599	\$ 435,807	\$ 534,792	122.71	
Net position, July 1	11,059,872	10,567,033	492,839	4.66	
Changes in beginning equity	<u>(7,953,545)</u>	<u>57,032</u>	<u>(8,010,577)</u>	-	
Net position, July 1 restated	<u>\$ 3,106,327</u>	<u>\$ 10,624,065</u>	<u>\$ (7,517,738)</u>	(70.76)	
Net position, June 30	<u>\$ 4,076,926</u>	<u>\$ 11,059,872</u>	<u>\$ (6,982,946)</u>	(63.14)	(7,822,520)

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Table 2 Comments: Again, the column to the right indicates the effect on the government-wide financial statements of implementing GASB 68. Excluding GASB 68 there were better collections in property taxes, and county shared revenues for an overall revenue increase of \$683,151; expenditures, without the effect of GASB 68, increased \$347,852 for a total net position increase of \$335,299. Encumbrances at June 30, 2015 were at total of \$94,436 less than at June 30, 2015.

THE DISTRICT'S FUNDS

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

Table 3	Major Funds							Total Governmental Funds
	General Fund	Bus Depreciation Fund	Retirement Fund	Misceallenous Fund	Debt Service Fund	Other Governmental Funds		
			not major	not major				
Fund balances June 30, 2013	\$ 1,211,106	282,068	not major	not major	295,323	867,381	\$ 2,655,878	
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	-	
Prior period adjustments	17,917	69,200			-	(30,085)	57,032	
Fund balances June 30, 2014	\$ 1,081,816	\$ 282,240	\$ -	\$ -	\$ 204,616	\$ 718,248	\$ 2,286,920	
Major fund re-classification	-	-	259,938	215,324	-	(475,262)	-	
Fiscal year 15 revenues	8,213,534	197,628	1,206,210	1,412,816	1,351,241	1,314,208	13,695,637	
Fiscal year 15 expenditures	(8,161,068)	-	(1,042,349)	(1,336,325)	(1,398,047)	(1,238,362)	(13,176,151)	
Fiscal year 15 transfers & other financing sources(uses)	(20,335)	(60,000)	-	-	-	80,335	-	
Prior period adjustments	9,455	-	-	2,745	-	351	12,551	
Fund balances June 20, 2015	\$ 1,123,402	\$ 419,868	\$ 423,799	\$ 294,560	\$ 157,810	\$ 399,518	\$ 2,818,957	

Table 3 Comments: Fund Balance is not affected by GASB 68 so is closer to an operational view. Total fund balance increased by \$532,037 since June 30, 2014 but only \$163,079 since June 30, 2013 so the two year comparison is consistent with a slightly better performance from tax revenues and holding the line on expenditures.

BUDGETARY HIGHLIGHTS

General Fund

Table 4

Year Ended June 30,	Fund Balance available, Revenues & Transfers In			Expenditures and Transfers Out		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
	2014	\$ 7,969,430	\$ 7,994,008	\$ 7,975,096	\$ 7,969,430	\$ 7,994,008
2015	\$ 8,223,805	\$ 8,223,805	\$ 8,213,524	\$ 8,223,805	\$ 8,223,805	\$ 8,220,549

Bus Depreciation Fund

Year Ended June 30,	Fund Balance available, Revenues & Transfers In			Expenditures and Transfers Out		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
	2014	\$ 483,156	\$ 486,156	\$ 184,121	\$ 483,156	\$ 483,156
2015	\$ 201,708	\$ 201,708	\$ 197,628	\$ 60,000	\$ 60,000	\$ 60,000

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Retirement Fund

Year Ended June 30,	Fund Balance available, Revenues & Transfers In			Expenditures and Transfers Out		
	Original	Final	Actual	Original	Final	Actual
	Budget	Budget		Budget	Budget	
2014	\$ 1,136,122	\$ 1,136,122	\$ 1,350,510	\$ 1,136,122	\$ 1,136,122	\$ 1,096,571
2015	\$ 1,150,062	\$ 1,150,062	\$ 1,206,210	\$ 1,170,000	\$ 1,170,000	\$ 1,042,349

Table 4 Comments: Table 4 shows budgetary highlights for special revenue funds displayed as major funds in the fund financial statements. The Miscellaneous fund, which is also a major special revenue fund is considered a non-budgeted fund under Montana school accounting rules so is not displayed here. No new yellow bus purchases were made from the bus depreciation fund in fiscal 2015, however a special transfer for school safety improvements was allowed by the legislature to the building reserve fund. The general fund revenues and expenditures closely followed the budgets; the retirement fund results were slightly below budget.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets – Capital Assets, Balances at June 30

Table 5	2015	2014
Land	\$ 590,662	\$ 590,662
Land improvements	956,294	836,776
Construction in Progress	-	-
Buildings	27,705,660	27,592,197
Equipment	2,851,532	2,819,032
Total	<u>\$ 32,104,148</u>	<u>\$ 31,838,667</u>
Less accumulated depreciation	<u>(9,697,877)</u>	<u>(8,930,697)</u>
Net capital assets	<u>\$ 22,406,271</u>	<u>\$ 22,907,970</u>

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

Table 5 Comments: Capital asset projects completed during 2014-2015 included: elementary school - roof \$17,015, window and door safety upgrades \$16,652, new ventilator for furnace \$10,427; junior high/high school - building safety upgrades \$34,499, heating system upgrades \$ 20,999, high school gym wall pad \$6,380; district - computer server upgrade \$7,491 and new tractor \$12,500.

Debt Administration – see Note 7 for details

Government-wide Outstanding Long Term Liabilities, Balances at June 30, 2015 and 2014:

Table 6	2015	2014
All general obligation bonds	\$ 13,780,000	\$ 14,700
Compensated absences & early retirement	662,039	581,172
Net Pension Liability	7,350,141	-
Total	<u>\$ 21,792,180</u>	<u>\$ 595,872</u>

Table 6 comments – No new bond debt was incurred in fiscal 2015, compensated absences liability increased over the prior year by \$80,867. Net pension liability (NPL) did not appear in the District’s financial statements before fiscal 2015; it represents the District’s proportionate share of the Montana Public Employee’s Retirement System NPL. The NPL is a

disclosure of a liability which could occur in the future but does not require any current payments beyond the statutorily determined amounts; Notes 15 and 16 contain disclosure related to pensions and the NPL.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

THE FUTURE OF THE SCHOOL

During the 2014-2015 school year, FTSD saw its enrollment continue to be stable. Enrollment stabilized in 2012-2013 after two years of declining enrollment. FTSD enrollment had declined by almost 12% over the previous two years. Comparison of enrollment for the 2013 – 2014 School Year and the 2014 – 2015 School Year shows our enrollment increased by exactly 5 students from 1,195 in 2013-2014 to 1,199 in 2014-2015.

It is good to see the student population has stabilized after having dropping by 100 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 76 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 2014-2015 school year was 100%.

In the second year of the school funding bill (SB 175) and the increase in ANB from the additional 5 students, FTSD actually saw a budget increase of \$182,901 for FY16. This is the second straight year of a significant funding increase for the district after declining funding the previous 4 yrs. Because there was a projected increase in school funding for the 2015-2016 school year, the FTSD School Board voted at the regular Board meeting in March 2015 not to ask the public to approve a levy for school operations.

At the end of the 2014-2015 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 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 there are two issues that continue to cast doubt on the re-development of the plant site: possible status of some of the site as an EPA Superfund and that M2 Green has failed to pay most of its property taxes since the 2014 fiscal year. They are now in arrears for three years. As of June 2015, M2 Green owed Missoula County \$788,446.88 in delinquent taxes. 49% of that total is owed to FTSD #40 for an amount of \$386,339.00.

The Failure of M2 Green to pay its taxes was a major impacts on the budget for the 2014-2015 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

Missoula County, Montana
Frenchtown School

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 2015, 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, needs 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 2015 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 FY16 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 2015 fiscal year. One of our deferred maintenance projects we have not been able to fund for the last five years would have been funded by a Quality School Grant in FY15. This project is at a cost of about \$500,000 and the Quality School grant would have paid for about \$400,000 of it. FTSD made the short list of projects to be funded by the Quality Schools grant. Unfortunately, no Quality School grants were funded by the 2015 legislature. We cannot afford to do the project without the Quality School Grant funding.

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 38% (19% for district, 19% for the employee), in the last 3 years. Obviously, with these kind of increases, all employees are seeking salary increases and for the district to help cover their cost of increased health insurance premiums costs each year. In 2015-2016, the district is implementing an option of a High Deductible Low Premium (HDLP) health insurance plan for our employees to meet the mandates of the Affordable Care Act (ACA). It will also reduce the cost of their out-of- pocket expense each month if they choose the HDLP option.

Randy Cline
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-1`2 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 Assets
for the Fiscal Year Ended June 30, 2015

Assets	2015
Current assets:	
Cash and investments	\$ 3,454,828
Property taxes receivable	551,125
Due from other governments	197,144
Other receivables	40,000
Total current assets	<u>\$ 4,243,097</u>
Non-current assets:	
Capital assets, land	\$ 590,662
Capital asses, depreciable, net	21,815,609
Total non-current assets	<u>\$ 22,406,271</u>
Total assets	<u>\$ 26,649,368</u>
Deferred Outflows	<u>\$ 802,675</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued	\$ 224,813
Current portion of compensated absences	80,867
Current portion of long-term bonds payable	950,000
Total current liabilities	<u>\$ 1,255,680</u>
Non-current liabilities:	
Long-term portion of compensated absences	\$ 581,172
Long-term portion of bonds payable	12,830,000
Net Pension Liability	7,350,141
Total non-current liabilities	<u>\$ 20,761,313</u>
Total liabilities	<u>\$ 22,016,993</u>
Deferred Inflows	<u>\$ 1,358,124</u>
Net position	
Net investment in capital assets	\$ 8,626,271
Restricted for:	-
Regular Programs	426,542
Other Programs	163,181
Admin:General	47,493
Admin:School	12,239
Admin: Business	12,418
Student Transportation	528,116
Operations & Maintenance	53,234
School Food	7,923
Debt Service	157,810
Health Insurance	565,133
Unrestricted	<u>(6,523,434)</u>
Total net position	<u>\$ 4,076,926</u>

Frenchtown School District
Missoula County, Montana

Government-Wide Statement of Activities
for the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Net (Expenses) Revenue 2015</u>
Governmental activities:					
Instruction:					
Regular programs	\$ 5,443,886	\$ 600	\$ 609,089	\$ -	\$ 4,834,197
Other programs	1,945,044	677,817	739,379	-	527,848
Support services	812,624	-	-	-	812,624
Administration:					
General	185,087	-	-	-	185,087
Schools	627,132	-	-	-	627,132
Financial	612,968	-	-	-	612,968
Operation and maintenance	1,320,116	585	-	24,691	1,294,840
Student transportation	546,257	-	113,708	-	432,549
School food	649,511	247,289	287,709	-	114,513
Extracurricular	448,574	-	-	-	448,574
Interest	478,047	-	-	-	478,047
Total governmental activities	<u>\$ 13,069,246</u>	<u>\$ 926,291</u>	<u>\$ 1,749,885</u>	<u>\$ 24,691</u>	<u>\$ 10,368,379</u>
General revenues:					
				\$	3,674,748
					3,829,152
					2,475,607
					1,319,268
					7,057
					33,146
Total general revenues				<u>\$</u>	<u>11,338,978</u>
Change in net position					970,599
Net position-July 1, 2014 as reported				\$	11,059,872
Prior period adjustments					12,551
Gasb 68 adjustment to beginning net position					(7,966,096)
Net position-July 1, 2014 as restated				<u>\$</u>	<u>3,106,327</u>
Net position-June 30, 2015				<u>\$</u>	<u>4,076,926</u>

Frenchtown School District
Missoula County, Montana

Balance Sheet- Governmental Funds
As of June 30, 2015

	Major Funds						
	General	Bus	Retirement	Miscellaneous	Debt	Other	Total
	Fund	Depreciation Fund	Fund	Fund	Service Fund	Governmental Funds	Governmental Funds
Assets							
Cash and investments	\$ 1,140,240	\$ 419,866	\$ 417,799	\$ 120,836	\$ 157,810	\$ 399,443	\$ 2,655,994
Property taxes receivable	302,122	22,469	-	-	174,450	52,084	551,125
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	184,661	-	12,483	197,144
Total assets	\$ 1,442,362	\$ 442,335	\$ 417,799	\$ 305,497	\$ 332,260	\$ 464,010	\$ 3,404,263
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 16,838	\$ -	\$ -	\$ 10,937	\$ -	\$ 6,407	\$ 34,182
Total liabilities:	\$ 16,838	\$ -	\$ -	\$ 10,937	\$ -	\$ 6,407	\$ 34,182
Deferred inflows of resources							
Uncollected property taxes	\$ 302,122	\$ 22,469	\$ -	\$ -	\$ 174,450	\$ 52,084	\$ 551,125
Total deferred inflows of resources	\$ 302,122	\$ 22,469	\$ -	\$ -	\$ 174,450	\$ 52,084	\$ 551,125
Fund balances:							
Nonspendable in form	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable legally	-	-	-	-	-	-	-
Restricted	-	419,866	417,799	151,038	157,810	343,311	1,489,824
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	46,335	-	64,044	110,379
Unassigned	1,123,402	-	-	97,187	-	(1,836)	1,218,753
Total fund balance	\$ 1,123,402	\$ 419,866	\$ 417,799	\$ 294,560	\$ 157,810	\$ 405,519	\$ 2,818,956
Total liabilities, deferred inflows and fund balance	\$ 1,442,362	\$ 442,335	\$ 417,799	\$ 305,497	\$ 332,260	\$ 464,010	\$ 3,404,263

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:

Total Fund Balances	2,818,956
Capital assets used in governmental activities are not financial resources and, therefore are not reported in funds:	
Capital assets	\$ 32,104,148
Accumulated depreciation	(9,697,877)
Other long-term assets are not available to pay current-period expenditures and, therefore are deferred in funds:	
Deferred tax revenue inflows	\$ 551,125
Deferred pension outflows	802,675
Deferred pension inflows	(1,275,054)
Long-term liabilities, including bonds payable, are not considered due and payable, in the current period and therefore are not reported in the funds:	
Compensated absences	\$ (662,039)
Bonds payable	(13,780,000)
Net pension liability	(7,350,141)
Net position of internal service (self-insurance) fund	565,133
Net position of governmental activities (Page 11)	\$ 4,076,926

Frenchtown School District
Missoula County, Montana

Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds,
for the Fiscal Year Ended June 30, 2015

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Fund	Debt Service Fund		
Revenues							
District property taxes	\$ 1,859,231	\$ 196,743	\$ -	\$ -	\$ 1,176,953	\$ 387,644	\$ 3,620,571
Intergovernmental:							
County	-	-	1,205,560	15,143	-	113,708	1,334,411
State	6,348,746	-	-	662,924	172,780	245,202	7,429,652
Federal	-	-	-	674,474	-	287,709	962,183
School food sales	-	-	-	-	-	247,289	247,289
Interest	3,314	885	650	-	1,508	701	7,058
Other	2,243	-	-	60,275	-	31,955	94,473
Total revenue	<u>\$ 8,213,534</u>	<u>\$ 197,628</u>	<u>\$ 1,206,210</u>	<u>\$ 1,412,816</u>	<u>\$ 1,351,241</u>	<u>\$ 1,314,208</u>	<u>\$ 13,695,637</u>
Expenditures							
Current operations							
Instruction:							
Regular programs	\$ 3,841,564	\$ -	\$ 559,044	\$ 340,697	\$ -	\$ 3,647	\$ 4,744,952
Other programs	800,277	-	98,228	902,639	-	131,843	1,932,987
Support services	647,255	-	91,106	68,044	-	6,219	812,624
Administration:							
General administration	152,339	-	19,981	-	-	-	172,320
School administration	492,528	-	67,965	2,106	-	57,580	620,179
Business	478,563	-	34,930	11,646	-	62,030	587,169
Student transportation	833	-	37,123	2,621	-	384,262	424,839
Operation and maintenance	1,184,082	-	65,057	1,797	-	40,091	1,291,027
School food	83,445	-	29,001	-	-	520,645	633,091
Extracurricular	363,564	-	39,914	9,954	-	-	413,432
Capital outlay	116,618	-	-	(3,179)	-	32,045	145,484
Debt service	-	-	-	-	1,398,047	-	1,398,047
Total expenditures	<u>\$ 8,161,068</u>	<u>\$ -</u>	<u>\$ 1,042,349</u>	<u>\$ 1,336,325</u>	<u>\$ 1,398,047</u>	<u>\$ 1,238,362</u>	<u>\$ 13,176,151</u>
Excess of revenues/(under) expenditures	\$ 52,466	\$ 197,628	\$ 163,861	\$ 76,491	\$ (46,806)	\$ 75,846	\$ 519,486
Other Financing Sources(Uses):							
Transfers in (out)	\$ (20,335)	\$ (60,000)	\$ -	\$ -	\$ -	\$ 80,335	\$ -
Change in fund balances	\$ 32,131	\$ 137,628	\$ 163,861	\$ 76,491	\$ (46,806)	\$ 156,181	\$ 519,486
Fund balances-July 1, 2014, as previously reported	\$ 1,081,816	\$ 282,240	\$ 253,938	\$ 215,324	\$ 204,616	\$ 248,985	\$ 2,286,919
Prior Period Adjustments	9,455	(2)	-	2,745	-	353	12,551
Fund balances-July 1, 2014, as restated	<u>\$ 1,091,271</u>	<u>\$ 282,238</u>	<u>\$ 253,938</u>	<u>\$ 218,069</u>	<u>\$ 204,616</u>	<u>\$ 249,338</u>	<u>\$ 2,299,470</u>
Fund Balances-June 30, 2015	<u>\$ 1,123,402</u>	<u>\$ 419,866</u>	<u>\$ 417,799</u>	<u>\$ 294,560</u>	<u>\$ 157,810</u>	<u>\$ 405,519</u>	<u>\$ 2,818,956</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, 2015

Change in fund balance as reported in governmental funds statement	\$	519,486
Change in deferred tax receivable inflows not included in the government funds statement	\$	54,176
Expenses on the statement of activities not included in the government funds statement:		
Depreciation expense	\$	(767,173)
Change in compensated absence liability		(80,867)
PERS pension expense		(110,539)
Expenditures reported in the government funds statement not included in the statement of activities:		
Capital outlay		145,484
Principal payments on bonds		920,000
Revenue from "on-behalf" payments by State of Montana for retirement		274,104
Excess of revenues over(under) expenses in the internal service fund		15,928
Change in net position reported on the statement of activities	\$	<u>970,599</u>

Frenchtown School District
Missoula County, Montana

Net Position-Internal Service (Health Insurance) Fund
As of June 30, 2015

	<u>2015</u>
Assets	
Current assets:	
Cash and investments	\$ 798,833
Due from stop loss carrier	40,000
Total assets	<u>\$ 838,833</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 45,000
Estimated claims incurred but not reported	145,631
Total liabilities	<u>\$ 190,631</u>
Deferred inflows of resources	
Premium payments received in advance	83,069
Total deferred inflows of resources	<u>83,069</u>
Net position	
Restricted for health insurance fund	\$ 565,133
Total net position	<u>\$ 565,133</u>
Total liabilities, deferrals and net position	<u><u>\$ 838,833</u></u>

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, 2015

	<u>2015</u>
Operating revenues	
Health insurance premiums & stop-loss received	\$ <u>1,491,664</u>
Operating expenses	
Medical claims	\$ 1,224,505
Stop-loss premiums	233,634
Administrative fees	<u>20,534</u>
Total operating expenses	\$ <u>1,478,673</u>
Operating income	\$ 12,991
Non-operating revenues	
Interest/Dividend income	\$ 4,052
Change in Investment Fair Market Value	<u>(1,115)</u>
Total non-operating revenue	\$ <u>2,937</u>
Change in net position	\$ 15,928
Total net position	
Net position-beginning	\$ <u>549,205</u>
Net position-ending	\$ <u><u>565,133</u></u>

Frenchtown School District
Missoula County, Montana

Statement of Cash Flows-Internal Service (Health Insurance) Fund
for the Fiscal Year Ended June 30, 2015

	2015
Cash flows from operating activities	
Health insurance premiums received	\$ 1,209,224
Stop-loss received	279,256
Medical claims paid	(1,218,623)
Insurance premiums paid	(233,634)
Administrative costs paid	(20,534)
Net cash provided/(used) by operating activities	\$ 15,689
Cash flows from investing activities	
Interest received	\$ 2,937
Net cash provided/(used) by investing activities	\$ 2,937
Net increases(decrease) in cash and investments	\$ 18,626
Cash and investments-beginning	\$ 780,207
Cash and investments-ending	\$ 798,833

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

Net operating income	\$ 12,991
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:	
(Increase)/decrease in amount due from stop/loss carrier	\$ (8,556)
Increase/(decrease) in accounts payable	(33,295)
Increase/(decrease) in claims incurred but not reported	39,176
Increase/(decrease) in deferred inflows	5,373
Net cash provided/(used) by operating activities	\$ 15,689

Frenchtown School District
Missoula County, Montana

Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
As of June 30, 2015

	<u>Student Activity Fund</u>	<u>Scholarship Fund</u>	<u>Total</u>
Fiduciary net position			
Assets			
Cash in banks	\$ 120,575	\$ 41,500	\$ 162,075
Petty cash	1,025	-	1,025
Total assets	<u>\$ 121,600</u>	<u>\$ 41,500</u>	<u>\$ 163,100</u>
Net position			
Held in trust for student activities	\$ 121,600	\$ -	\$ 121,600
Held in trust for scholarships	-	41,500	41,500
Total net position	<u>\$ 121,600</u>	<u>\$ 41,500</u>	<u>\$ 163,100</u>
Changes in fiduciary net position			
Additions:			
Revenue from student activities	\$ 198,910	\$ -	\$ 198,910
Contributions to scholarships	-	4,070	4,070
Investment earnings	8	93	101
Other	-	20	20
Total additions	<u>\$ 198,918</u>	<u>\$ 4,183</u>	<u>\$ 203,101</u>
Deductions:			
Expenses of student activities	\$ 195,682	\$ -	\$ 195,682
Scholarships	-	5,900	5,900
Other endowed purposes	-	-	-
Total deductions	<u>\$ 195,682</u>	<u>\$ 5,900</u>	<u>\$ 201,582</u>
Changes in net position held in trust	\$ 3,236	\$ (1,717)	\$ 1,519
Transfers and closures	-	-	-
Change after transfers/closures	<u>\$ 3,236</u>	<u>\$ (1,717)</u>	<u>\$ 1,519</u>
Net position, July 1, 2014	<u>\$ 118,364</u>	<u>\$ 43,217</u>	<u>\$ 161,581</u>
Net position, June 30, 2015	<u>\$ 121,600</u>	<u>\$ 41,500</u>	<u>\$ 163,100</u>

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

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. 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. FINANCIAL STATEMENT PRESENTATION, 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 replace yellow school buses and two-way radio equipment in accordance with the District’s replacement plan in accordance with state statute limitations. Source of funds is internal transfer for allowable share of bus depreciation.

Retirement Fund – this fund accumulates resources to make retirement related payments to the PERS and TRS systems to which the District belongs.. Source of funds is District mill levy and county shared revenues.

Miscellaneous Fund – this fund accumulates resources from donations (other than for scholarships), grants and other designated payments. The fund is sub-divided by projects so that related receipts and payments are specifically identified and matched.

Debt Service Fund—this fund is used to account for revenues and disbursements to repay general obligation debt.

Non-major governmental funds are:

Fund Name	Purpose	Major Revenue or Inflows
Transportation	Wages and maintenance for the District-owned bus system	District mill levy, county and state shared revenues
School Food	Wages and supplies for school meals served	Paid meals, federal meal subsidy and commodities
Tuition	Costs related to out of district students	District mill levy and fees
Adult Education	Costs related to adult education offerings	District mill levy and state block grant
Traffic Education	Costs related to drivers education	Fees and state reimbursement
Compensated Absence	Estimated cost at retirement to pay for unused vacation for certain administrative staff	Internal transfer up to a limitation formula
Technology	Purchase, rent, repair and maintain technological equipment for district personnel	Property tax and state shared revenue
Flexibility	Paying salaries, operating expenses, building expenses, purchasing supplies and equipment	State grant and voted property levy
Building	Costs for certain non-routine building expenditures	Bond proceeds, insurance proceeds, sale of property
Building Reserve	Vote approved building or construction projects	Voted mill levy

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

B. FINANCIAL STATEMENT PRESENTATION, continued

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 at 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.

C. 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).

D. 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, 2015 \$43,075 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.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

E. 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

F. 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.

G. PENSIONS

In the government-wide and proprietary statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) and additions to/deductions from PERS or TRS fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

In the fund financial statements only pension contributions are reported as expenditures; in the current period there were no circumstances which would require a net pension liability in the fund financial statements.

H. 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.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

H. NET POSITION/FUND BALANCE, continued

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.

C. ACCOUNTING STANDARD IMPLEMENTATION

For the year ended June 30, 2015 the District implemented Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 modified earlier pension guidance to require that individual governmental entities report the full net pension liability (and related financial statement elements) that result from pension plans. In Montana school districts belong to two “multiple employer cost-sharing” plans which are the Public Employees Retirement System (PERS) and Teachers Retirement System (TRS). Following earlier guidance from GASB 67 the plans developed information needed for each entity’s reporting and calculated the “proportionate share” for each member. Both plans chose to use the proportionate share of actual contributions for the affected fiscal year as a percentage to allocate net pension liability, pension expense, and “on-behalf” payments from the state and coal tax monies; the District’s actual fiscal year contributions are included in deferred inflows. The plans can use a measurement date up to 12 months prior to the reporting date; for both plans the measurement date was June 30, 2014 for reporting as of June 30, 2015. Net pension liability is a disclosure of a potential contingent liability and does not require immediate payments beyond the normal contribution rate as set by the State of Montana.

NOTE 2: CASH AND INVESTMENTS

Missoula County is the cash depository for the District’s governmental operating funds and the scholarship trust fund. 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.

Internal service fund cash at June 30, 2015 was invested as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of Deposit	1.00%	July 6,2015	\$ 100,000
Certificate of Deposit	0.85%	December 14,2015	175,394
Certificate of Deposit	1.35%	November 14, 2016	100,876
Cash with Raymond James Co.			33,189
Cash in credit unions			389,374
Total			<u>\$ 798,833</u>

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 2: CASH AND INVESTMENTS, continued

Certificates of deposit are part of Raymond James Co. investments, each is with a different institution. Credit union deposits are spread among three credit unions with less than \$250,00 in any one institution. All certificates of deposit are considered investments in the statement of cash flows. 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.

Cash held in trust for the Student activities account is deposited with a local bank in Frenchtown.

NOTE 3: DUE FROM OTHER GOVERNMENTS AND OTHER RECEIVABLES

Due from other governments consists of federal grants of \$177,680, state grants \$12,483 and county grants of \$6,981. 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, 2015 are as follows:

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Cost of Assets:				
Land	\$ 590,662	\$ -	\$ -	\$ 590,662
Depreciable capital assets:				
Land Improvements	936,776	19,521	-	956,294
Buildings	27,592,197	113,463	-	27,705,660
Equipment	2,819,032	12,500	-	2,851,532
Total	<u>\$ 31,938,667</u>	<u>\$ 145,484</u>	<u>\$ -</u>	<u>\$ 32,104,148</u>
Accumulated Depreciation:				
Land Improvements	\$ (459,779)	\$ 40,040	\$ -	\$ (499,819)
Buildings	(6,582,436)	566,958	-	(7,149,395)
Equipment	(1,888,482)	160,175	-	(2,048,663)
Total	<u>\$ (8,930,697)</u>	<u>\$ 767,173</u>	<u>\$ -</u>	<u>\$ (9,697,877)</u>
Net Book Value	<u>\$ 23,007,970</u>	<u>\$ 912,657</u>	<u>\$ -</u>	<u>\$ 22,406,271</u>

Net depreciation expense was charged to functions as follows:

Regular Programs	\$ 566,167
Student Transportation	116,076
Extracurricular	35,142
Operations and Maintenance	19,125
School Food	11,920
Business Administration	18,745
Total Depreciation Expense	<u>\$ 767,175</u>

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

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. Net pension liability as provided by the PERS and TRS state pension systems appears in the government-wide financial statements; see more information in Note 15.

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, 2015 but for July and August of fiscal 2016. The government-wide statements also report deferred inflows related to pensions.

NOTE 7: LONG-TERM DEBT

Changes in general long-term debt during 2015 were as follows:

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015	Due Within One Year
General Obligation Bonds:					
Series 2007	\$ 5,940,000	\$ -	\$ 410,000	\$ 5,530,000	\$ 430,000
Series 2013	8,760,000	-	510,000	8,250,000	520,000
Compensated Absences	581,172	80,867	-	662,039	80,867
Net Pension Liability	-	7,966,096	615,955	7,350,141	
Total	<u>\$ 15,281,172</u>	<u>\$ 8,046,963</u>	<u>\$ 1,535,955</u>	<u>\$ 21,792,180</u>	<u>\$ 1,030,867</u>

General Obligation Bonds—

Series 2007 - The District issued \$14,935,000 of general obligation 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.

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.

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.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

Debt service to maturity table:

Year Ended June 30	2007 Bonds		2013 Refunding Bond		Total
	Principal	Interest	Principal	Interest	
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	\$ <u>5,530,000</u>	\$ <u>1,129,112</u>	\$ <u>8,250,000</u>	\$ <u>1,861,013</u>	\$ <u>16,770,125</u>

Total debt service to maturity for long-term debt is \$13,780,000 principle and estimated \$2,990,125 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 for the years ended June 30, 2015 through 2018.

Plan name: Frenchtown School District #40 Benefit Plan Trust.

Administration: Benefits are administered by Allegiance Benefit Plan Management, Inc.; a SOC-1, Type 2 report for July 1, 2014 through June 30, 2015 is available from Allegiance, 2806 S. Garfield, Missoula, Mt 59801. The District established separate bank accounts and investments to administer the cash transactions of the trust.

Benefits: Retirees pay 100% of the premium for single or retiree plus spouse coverage. The premium covers medical, dental and vision. A retiree may not opt out of dental or vision coverage. Fiscal 2015 premiums were retiree only \$888.40, retiree plus spouse \$979.58.

Cost of Coverage: For retirees the cost to the District is the age-specific premium.

Financial statements for the plan: The plan's financial statements are presented as part of the District financial statements on pages 16-18 of this report.

Funding policy: The plan trustees are empowered to establish premiums, using the advisory resources of Allegiance Benefit Plan Management, Inc. or other actuarial assistance as needed.

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, 2015 a \$20,335 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. MCA 20-9-236 temporarily allowed schools to "transfer state or local revenue from any budgeted or non-budgeted fund, other than the debt service fund or retirement fund, to its building reserve fund in an

Frenchtown School District
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Notes to the Financial Statements
June 30, 2015

amount not to exceed the school district's estimated costs of improvements to school safety and security"; the District transferred \$60,000 from the bus depreciation fund to its building reserve fund.

NOTE 10: PRIOR PERIOD ADJUSTMENT EXPLANATION

Fund	Amount	Purpose
General	9,455	Encumbrance adjustment
Bus Depreciation	(2)	Rounding
Miscellaneous	2,745	Encumbrance adjustment
Non-major:		
Transportation	131	Encumbrance adjustment
School Food	222	Encumbrance adjustment

NOTE 11: GOVERNMENT-WIDE RESTRICTED NET ASSETS

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.

A schedule which translates restricted fund balance to restricted net assets is shown below:

	Total Restricted Fund Balance	Current Portion Compensated Absences	Net Position Self-Insurance Fund	Restricted Net Position
Regular programs	\$ 482,635	(56,093)		426,542
Other programs	168,275	(5,094)		163,181
Admin: General	52,887	(5,394)		47,493
Admin: School	15,177	(2,938)		12,239
Admin: Business	15,398	(2,980)		12,418
Student Transportation Operations & Maintenance	530,373	(2,257)		528,116
School food	57,444	(4,210)		53,234
Debt Service	9,825	(1,902)		7,923
Health Insurance	157,810		565,133	157,810
Totals	\$ 1,489,824	(80,868)	565,133	1,974,089

NOTE 12: GOVERNMENTAL FUND BALANCE REPORTING

Classifications for governmental fund balance are discussed in Note 1, part H. The following table discloses the composition of single line classifications in the governmental funds balance sheet.

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 12: GOVERNMENTAL FUND BALANCE REPORTING, continued

	General Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Fund	Debt Service Fund	Other Governmental Funds	Fund Balance Classification Totals
Non-Spendable:							
Form	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal/Contractual	-	-	-	-	-	-	-
Total Non-spendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted							
Regular programs	\$ -	\$ -	\$ 289,803	\$ 9,080	\$ -	\$ 183,752	\$ 482,635
Other programs	-	-	26,317	141,958	-	-	168,275
Admin: General	-	-	27,868	-	-	25,019	52,887
Admin: School	-	-	15,177	-	-	-	15,177
Admin: Business	-	-	15,398	-	-	-	15,398
Student Transportation Operations & Maintenance	-	419,866	11,662	-	-	98,845	530,373
School food	-	-	21,749	-	-	35,695	57,444
Debt Service	-	-	9,825	-	157,810	-	157,810
Total Restricted	<u>\$ -</u>	<u>\$ 419,866</u>	<u>\$ 417,799</u>	<u>\$ 151,038</u>	<u>\$ 157,810</u>	<u>\$ 343,311</u>	<u>\$ 1,489,824</u>
Committed							
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned							
Regular programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other programs	-	-	-	46,335	-	39,186	85,521
School food	-	-	-	-	-	24,858	24,858
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,335</u>	<u>\$ -</u>	<u>\$ 64,044</u>	<u>\$ 110,379</u>
Unassigned							
General Fund	\$ 1,123,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,123,402
Miscellaneous Fund	-	-	-	97,187	-	-	97,187
Tuition Fund	-	-	-	-	-	(1,836)	(1,836)
Total Unassigned	<u>\$ 1,123,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,187</u>	<u>\$ -</u>	<u>\$ (1,836)</u>	<u>\$ 1,218,753</u>
Total Fund Balances	<u>\$ 1,123,402</u>	<u>\$ 419,866</u>	<u>\$ 417,799</u>	<u>\$ 294,560</u>	<u>\$ 157,810</u>	<u>\$ 405,519</u>	<u>\$ 2,818,956</u>

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 (TRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (PERS) 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.

Contribution rates for both plans are required and determined by state law. There were no changes in contribution rates for MTRS and MPERS in 2015. The contribution rates, expressed as a percentage of covered payroll:

	Employer	Employee	State	Total	
TRS	7.90%	7.90%	0.37%	17.11%	Fiscal 2015
PERS	8.17%	7.90%	0.10%	16.17%	Fiscal 2015

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 13: RETIREMENT PLANS, continued

The amounts contributed to MTRS and MPERS during the years ended June 30, 2013, 2014 and 2015 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:

	2013	2014	2015
TRS	\$ 780,058	\$ 857,973	\$ 952,154
PERS	160,984	194,478	192,231
Total	\$ 941,042	\$ 1,052,451	\$ 1,144,385

The State's contributions to the plans in 2015 are included as "on-behalf" revenue in the government-wide 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

As required by Governmental Accounting Standards Board Statement No. 68 (GASB 68) the District implemented reporting of its shared liability in the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). See Note 15.

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.

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:

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 14: RISK MANAGEMENT, continued

	Processed Claims	Estimated CIBNR	Total
Claims Liability, June 30, 2014	\$ 78,294	\$ 106,455	\$ 184,749
Claims Liability, June 30, 2015	\$ 45,000	\$ 145,631	\$ 190,631

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, 2015 consist of payments due from the plan's stop-loss insurer for claims in excess of the self-insurance maximum.

NOTE 15: PENSION PLANS' DISCLOSURES

The District participates in two pension plans: (1) the Teachers Retirement System (TRS) which covers staff who are certified teachers, and (2) the Public Employees Retirement System (PERS) which covers staff who are not certified as teachers. Combined pension amounts for the District's proportionate share of pension liabilities, deferred outflows of resources and pension expense appear below.

	The Employer's Proportionate Share Associated with TRS	The Employer's Proportionate Share Associated with PERS	The Employer's Total Pension Amounts
Total Pension Liability	\$ 20,709,742	\$ 2,635,430	\$ 23,345,172
Fiduciary Net Position	14,570,512	1,424,519	15,995,031
Net Pension Liability	\$ 6,139,230	\$ 1,210,911	\$ 7,350,141
			-
Deferred Outflows of Resources	\$ 706,520	\$ 96,155	\$ 802,675
Deferred Inflows of Resources	960,873	314,182	1,275,055
			-
Pension Expense	\$ 617,221	\$ 96,121	\$ 713,342

Following are separate sets of disclosures for TRS and PERS as prepared by the systems and audited by the Montana Legislative Auditor's office;

A-Teachers Retirement System (TRS) Disclosures (section numbers correspond to GASB 68 required disclosure paragraphs)

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Frenchtown K-12 Schools Proportionate Share	\$ 7,096,169	\$ 6,139,230	0.3989%
State of Montana Proportionate Share Associated with Employer	4,862,949	4,207,166	0.2734%
Total	<u>\$ 11,959,118</u>	<u>\$ 10,346,396</u>	<u>0.6723%</u>

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

At June 30, 2015, the employer recorded a liability of \$6,139,230 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2-14, the employer's proportion was 0.3989 percent.

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date.

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll Growth Assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 200 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense – 80g, 80j

	Pension Expense as of 6/30/14
Frenchtown K-12 Schools	
Proportionate Share	\$ 381,635
State of Montana Proportionate Share Associated with Employer	235,586
Total	\$ 617,221

At June 30, 2015, the employer recognized a Pension Expense of \$617,221 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$235,586 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Frenchtown School District
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Notes to the Financial Statements
June 30, 2015

NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$577,573.

Deferred Inflows and Outflows – 80h, 80i

At June 30, 2015, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,731	\$ -
Changes in actuarial assumptions	139,141	-
Differences between projected and actual investment earnings	-	950,881
Difference between actual and expected contributions	-	9,992
Changes in proportion	N/A	N/A
*Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions (to be entered by the entity)	506,648	-
Total	\$ 706,520	\$ 960,873

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows

Year Ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) -(b)
2016	\$ 66,624	\$ 240,218	\$ (173,594)
2017	\$ 66,624	\$ 240,218	\$ (173,594)
2018	\$ 66,624	\$ 240,218	\$ (173,594)
2019	\$ -	\$ 240,218	\$ (240,218)
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

Plan Description – 76a

Teachers' Retirement System (TRS or the System) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

Summary of Benefits – 76b

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One).
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One).
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One).
- Tier Two has a one percent higher normal employee contribution rate (through a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members).
- Tier Two provides for an enhanced benefit calculation – $1.85\% \times \text{AFC} \times \text{years of creditable service}$ – for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$).

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

Overview of Contributions – 76c

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for State and University Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

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NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

The tables below show the history of legislated contributions for TRS members, employers, and the State.
School District and Other Employers

	<u>Members</u>	<u>Employers</u>	<u>General Fund</u>	<u>Total Employee & Employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

State and University Employers

	<u>Members</u>	<u>Employers</u>	<u>General Fund</u>	<u>Total Employee & Employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

TRS Stand-Alone Statements – 76d

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

Frenchtown School District
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Notes to the Financial Statements
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NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

Actuarial Assumptions – 77

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increase* 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
(starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements project by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

Discount Rate – 78a, 78b, 78d

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions that State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was project to be adequate to make all the projected future benefit payments of current plan members through the year 2116. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

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Notes to the Financial Statements
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NOTE 15: PENSION PLANS' DISCLOSURES, **A-Teachers Retirement System (TRS) Disclosures** continued

Target Allocations – 78c, 78e, 78f

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%
Total	<u>100.00%</u>	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a reported dated May 1, 2014. Several factors are considered in evaluation the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis – 78g

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The Employer's proportion of Net Pension Liability	\$ 8,529,343	\$ 6,139,230	\$ 4,119,952

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies – 79

The Teachers' Retirement System prepares its financial statements using the accrual basis of account. For the purposes of measuring the Net Pension Liability, deferred inflows or resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For the purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

NOTE 15: PENSION PLANS' DISCLOSURES, continued, **B-Public Employee Retirement System Disclosures**

B-Public Employee Retirement System Disclosures

Plan Description – 76a

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits – 76b

Member's highest average compensation (HAC)

Hired prior to July 1, 2011-highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013-110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early Retirement actuarially reduced:

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting

5 years of membership service.

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Notes to the Financial Statements
June 30, 2015

NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years of more, but less than 30 years of membership service: 1.785% of HAV per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007
- Members hired on or after July 1, 2013
 - a. A maximum of 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

Court Decision: The First Judicial District Court, Judge Reynolds presiding, issued a decision March 4, 2015, concluding that Section 5 of HB 454 substantially impairs contract rights and is in violation of the contract clause of both the Montana and the United States Constitutions. A permanent injunction prohibiting the State from reducing the GABA paid to PERS retirees was issued. Following cross-appeals to the Montana Supreme Court, the parties agreed to seek clarification from Judge Reynolds regarding the scope of his original order. Judge Reynolds issued an order August 19, 2015, clarifying that the permanent injunction is only applicable to public employees that were hired prior to July 1, 2013, the effective date of HB 454. The permanent injunction does not apply to public employees hired on or after July 1, 2013.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-Vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Overview of Contributions – 76c

1. Member and employee contribution rates are established by state law and may be amended only by the legislature.

Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

2. Member contributions to the system for the fiscal year ended June 30, 2015:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system for the fiscal year ended June 30, 2015:
 - a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribution 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund.

Stand-Alone Statements – 76d

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CARF information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialvaluations.shtml>.

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NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Actuarial Assumptions – 77

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases

As a result of HB 454 (2013) a permanent injunction is applicable to PERS members hired before July 1, 2013.

- Members hired prior to July 1, 2007 maintain the 3% GABA.
- Members hired between July 1, 2007 and June 30, 2013 maintain the 1.5% GABA.
- Members hired on or after July 1, 2013 will have a "sliding scale" GABA ranging from 0% to 1.5% as provided in HB 454 (2013).

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided above) each January, inclusive of other adjustments to the member's benefit.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate – 78a, 78b, 78d

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotate. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly.

Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations – 78c, 78e, 78f

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return

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Notes to the Financial Statements
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NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Target Allocations – 78c, 78e, 78f, continued

(expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis – 78g

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.75%)</u>
PERS' Net Pension Liability	\$ 1,982,274,732	\$ 1,246,010,898	\$ 625,044,646
Employer's Proportion	\$ 1,926,434	\$ 1,210,911	\$ 607,437

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75% , as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies – 79

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

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Notes to the Financial Statements
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NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Net Pension Liability – 80a, 80b, 80c, 80d, 80e, 80f

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements for employers to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Proportionate Share	\$ 1,558,256	\$ 1,210,911	0.097183%
State of Montana Proportionate Share Associated with Employer	72,843	56,606	0.472593%
Total	\$ 1,631,099	\$ 1,267,517	0.569776%

At June 30, 2015, the employer recorded a liability of \$1,210,911 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the employer's proportion was 0.097183 percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense – 80g

	Pension Expense as of 6/30/14
Employer's Proportionate Share	\$ 96,122
State of Montana Proportionate Share Associated with Employer	38,518
Total	\$ 134,640

At June 30, 2015, the employer recognized a Pension Expense of \$134,640 for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$38,518 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

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June 30, 2015

NOTE 15: PENSION PLANS' DISCLOSURES, **B-Public Employee Retirement System Disclosures**, continued

Support Revenue 80j

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of special funding attributable to the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$314,181.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Differences between projected and actual earnings on pension plan investments	-	312,879
Changes in proportion deifferences between employer contributions and proportionte share of contributions	-	1,302
Difference between actual and expected contributions	-	-
#Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions	96,155	-
Total	\$ 96,155	\$ 314,181
#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net pension Liability.		

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized Pension Expense as follows:

Year Ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2015	\$ (78,654)
2016	\$ (78,654)
2017	\$ (78,654)
2018	\$ (78,220)
2019	\$ N/A
Thereafter	\$ N/A

Frenchtown School District
Missoula County, Montana

Notes to the Financial Statements
June 30, 2015

NOTE 16: ON-BEHALF PAYMENTS

As described in Note 15 the District recorded on-behalf payment revenue for the contributions BY THE State of Montana to the Public Employees Retirement system and the Teachers Retirement System as follows:

<u>System</u>	<u>Description</u>	<u>Amount</u>
TRS	State Contribution	\$ 235,586
PERS	State contribution	4,261
PERS	Coal tax payment	<u>34,257</u>
	Total on-behalf payments	\$ <u><u>274,104</u></u>

NOTE 17: SUBSEQUENT EVENT

In December 2015 a massive leak occurred in a water line for the heating system in the Junior High and High School attached buildings. Most of the damage will be covered by the District's insurer, an estimate of direct costs to the District is not known at the time of this report.

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget to Actual Variance</u>	<u>GAAP Encumbrance Adjustment</u>	<u>Fund Financial Statement</u>
Revenues						
District property taxes	\$ 1,870,692	\$ 1,870,692	\$ 1,859,231	\$ 11,461	\$ -	\$ 1,859,231
Intergovernmental:				-		
State revenues	6,348,746	6,348,746	6,348,746	-	-	6,348,746
Federal payments	-	-	-	-	-	-
Interest	2,906	2,906	3,314	(408)	-	3,314
Other	1,461	1,461	2,243	(782)	-	2,243
Total revenues	<u>\$ 8,223,805</u>	<u>\$ 8,223,805</u>	<u>\$ 8,213,534</u>	<u>\$ 10,271</u>	<u>\$ -</u>	<u>\$ 8,213,534</u>
Expenditures						
Current operations:						
Instruction:						
Regular program	\$ 3,840,169	\$ 3,799,862	\$ 3,780,429	\$ 19,433	\$ 61,135	\$ 3,841,564
Special program	758,499	788,499	738,906	49,593	61,371	800,277
Support services	728,141	725,489	711,826	13,663	(64,571)	647,255
Administration:						
General	155,511	155,405	146,776	8,629	5,563	152,339
School	501,589	505,401	501,664	3,737	(9,136)	492,528
Financial	449,186	450,569	487,403	(36,834)	(8,840)	478,563
Student Transportation	2,030	2,030	483	1,547	350	833
Operations and maintenance	1,283,311	1,259,776	1,231,269	28,507	(47,187)	1,184,082
School food	101,602	85,194	83,545	1,649	(100)	83,445
Extracurricular	334,528	382,641	396,673	(14,032)	(33,109)	363,564
Capital outlay	59,224	58,924	121,240	(62,316)	(4,622)	116,618
Debt service	15	15	-	15	-	-
Total expenditures	<u>\$ 8,213,805</u>	<u>\$ 8,213,805</u>	<u>\$ 8,200,214</u>	<u>\$ 13,591</u>	<u>\$ (39,146)</u>	<u>\$ 8,161,068</u>
Excess/(deficiency) of revenues over expenditures and encumbrances	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 13,320</u>	<u>\$ (3,320)</u>	<u>\$</u>	<u>\$ 52,466</u>
Transfers in (out)	\$ (10,000)	\$ (10,000)	\$ (20,335)	\$ (10,335)	\$	\$ (20,335)
Excess/(deficiency) of revenues over expenditures and transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,015)</u>	<u>\$ (13,655)</u>	<u>\$</u>	<u>\$ 32,131</u>
Beginning Fund Balance	\$ 1,081,816	\$ 1,081,816	\$ 1,081,816			\$ 1,081,816
Prior period adjustment						9,455
Ending fund Balance	<u>\$ 1,081,816</u>	<u>\$ 1,081,816</u>	<u>\$ 1,074,801</u>			<u>\$ 1,123,402</u>

Please see accompanying notes to the schedule.

Frenchtown School District
Missoula County, Montana

Bus Depreciation and Retirement-
Schedule of Revenues, Expenditures and Changes in Encumbrances
Budget to Actual
for the Fiscal Year Ended June 30, 2015

Bus Depreciation

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>GAAP Encumbrance Adjustment</u>	<u>Fund Financial Statement</u>
Revenues						
District property taxes	\$ 200,000	\$ 200,000	\$ 196,743	\$ (3,257)	\$ -	\$ 196,743
Interest	1,708	1,708	885	(823)	-	885
Other	460	460	-	-	-	-
Total revenues	<u>\$ 201,708</u>	<u>\$ 201,708</u>	<u>\$ 197,628</u>	<u>\$ (4,080)</u>	<u>\$ -</u>	<u>\$ 197,628</u>
Expenditures						
Capital outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess/(deficiency) of revenues over expenditures and encumbrances	\$ 201,708	\$ 201,708	\$ 197,628	\$ (4,080)		\$ 197,628
Transfers in (out)	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ -		\$ (60,000)
Excess/(deficiency) of revenues over expenditures and transfers	<u>\$ 141,708</u>	<u>\$ 141,708</u>	<u>\$ 137,628</u>	<u>\$ (4,080)</u>		<u>\$ 137,628</u>
Beginning Fund Balance	\$ 282,239	\$ 282,239	\$ 282,239		\$ -	\$ 282,239
Ending fund Balance	<u>\$ 423,947</u>	<u>\$ 423,947</u>	<u>\$ 419,867</u>		<u>\$ -</u>	<u>\$ 419,867</u>

Retirement

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>GAAP Encumbrance Adjustment</u>	<u>Fund Financial Statement</u>
Revenues						
Intergovernmental	\$ 1,149,415	\$ 1,149,415	\$ 1,205,560	\$ 56,145	\$ -	\$ 1,205,560
Interest	647	647	650	3	-	650
Total revenues	<u>\$ 1,150,062</u>	<u>\$ 1,150,062</u>	<u>\$ 1,206,210</u>	<u>\$ 56,148</u>	<u>\$ -</u>	<u>\$ 1,206,210</u>
Expenditures						
Current operations:						
Instruction:						
Regular program	\$ 637,953	\$ 637,953	\$ 559,044	\$ 78,909	\$ -	\$ 559,044
Special program	127,587	127,587	98,228	29,359	-	98,228
Support services	99,216	99,216	91,106	8,110	-	91,106
Administration:						
General	23,018	23,018	19,981	3,037	-	19,981
School	83,836	83,836	67,965	15,871	-	67,965
Financial	28,675	28,675	34,930	(6,255)	-	34,930
Student Transportation	38,352	38,352	37,123	1,229	-	37,123
Operations and maintenance	65,934	65,934	65,057	877	-	65,057
School food	29,463	29,463	29,001	462	-	29,001
Extracurricular	35,975	35,975	39,914	(3,939)	-	39,914
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>\$ 1,170,009</u>	<u>\$ 1,170,009</u>	<u>\$ 1,042,349</u>	<u>\$ 127,660</u>	<u>\$ -</u>	<u>\$ 1,042,349</u>
Excess/(deficiency) of revenues over expenditures and encumbrances	\$ (19,947)	\$ (19,947)	\$ 163,861	\$ (71,512)		\$ 163,861
Transfers in (out)	\$ -	\$ -	\$ -	\$ -		\$ -
Excess/(deficiency) of revenues over expenditures and transfers	<u>\$ (19,947)</u>	<u>\$ (19,947)</u>	<u>\$ 163,861</u>	<u>\$ (71,512)</u>		<u>\$ 163,861</u>
Beginning Fund Balance	\$ 253,938	\$ 253,938	\$ 253,938			\$ 253,938
Ending fund Balance	<u>\$ 233,991</u>	<u>\$ 233,991</u>	<u>\$ 417,799</u>	<u>\$ (71,512)</u>		<u>\$ 417,799</u>

Please see accompanying notes to the schedule

Please see accompanying notes to schedules.

Frenchtown School District
Missoula County, Montana

Notes to the Budget to Actual Schedules

Note to the Budget to Actual Statements for Major Special Revenue Funds:

Generally Accepted Governmental Accounting in the United States requires a budget to actual schedule as Required Supplementary Information to the financial statements for budgeted special revenues funds which are major funds in the financial statements. The general fund is always a major fund; for fiscal 2015 the bus depreciation and retirement funds also require budget to 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.

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.

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, 2015 are as follows:

	Actual	Allowed
General Fund	10.02%	10%
Transportation Fund	13.16%	20%
Retirement Fund	20.00%	35%
Adult Education	35%	35%

State law also permits the District to reserve the collection of protested and delinquent property taxes in the general fund. This reserve was \$1,658 for fiscal 2015.

Frenchtown School District
Missoula County, Montana

Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Montana
For the Year Ended June 30

	2015
Employer's proportion of the net pension liability	0.3989%
Employer's proportion share of the net pension liability associated with the Employer	\$ 6,139,230
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 4,207,166
Total	\$ 10,346,396
Employer's covered-employee payroll	\$ 5,467,594
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.00%
Plan fiduciary net position as a percentage of the total pension liability	70.36%

Schedule of Contributions
Teachers' Retirement System of Montana
For the Year Ended June 30

	2015
Contractually required contributions	\$ 506,648
Contributions in relation to the contractually required contributions	\$ 506,648
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$5,800,000
Contributions as a percentage of covered-employee payroll	8.74%

Notes to Teacher's Retirement System Required Supplementary Information
For the Year Ended June 30, 2015

Changes of assumption: The following changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date:

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll Growth Assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was reduced from 1.00% to 0.75%.
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

Frenchtown School District
Missoula County, Montana

Notes to Required Supplementary Information, TRS, continued

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00% for University Members;
Investment rate of return	7.75 percent, net of pension plan investment Expense and including inflation

Schedule of Employer's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System

	June 30, 2014
Employer's Proportionate Share of the Net Pension Liability	\$ 1,210,911
State's Proportionate Share of the Net Pension Liability associated with the employer	56,606
Total	<u>\$ 1,267,517</u>
Employer's Pensionable payroll	\$ 1,138,191
Employer's Proportionate Share of the Net Pension Liability as a percentage of its Pensionable Payroll	106.39%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.90%

Schedule of Employer Contributions
Public Employees' Retirement System

	June 30, 2014
Employer's Contractually required DB contribution	\$ 89,613
Employer's Contribution allocated to PCR	2,060
Employer's Contribution allocated to DB-UAL	778
Employer's Total Contractually Required Contribution	<u>\$ 92,451</u>
Employer's Contributions in relation to the contractually required contribution	\$ 92,451
Employer's Contribution deficiency (excess)	\$ -
Employer's Pensionable Payroll	\$ 1,138,191
Contributions as a a percentage of Pensionable Payroll	8.123%

SUPPLEMENTARY INFORMATION

Frenchtown School District
Missoula County, Montana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	\$ 57,314	
School Lunch Program	10.553	N/A	N/A	230,395	
CFDA 10.555 Cash Total				<u>\$ 287,709</u>	\$ 287,709
Non-Cash Assistance (Commodities)					
National School Lunch program	10.555	N/A	N/A	\$ 27,982	27,982
Total for Program Cluster					
Total U.S. Department of Agriculture					
					<u>\$ 315,691</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	\$ 297,993	\$ 290,782	
Total Title I, Part A and CFDA 84.010 Total					
				<u>\$ 290,782</u>	\$ 290,782
Title II, Improving Teacher Quality					
Title II, Part A, Improving Teacher Quality	84.367	32-0599-14-15	\$ 43,720	44,203	
Total Title II, Part A and CFDA 84.367 Total					
				<u>\$ 44,203</u>	44,203
Title VI, 21st Century Community Learning Centers					
	84.999	32-0599-00-00	\$ 96,069	\$ 96,069	\$ 96,069
Gear UP - assistance for ACT exam					
	84.334	320599-00-00	\$ 2,960	\$ 2,960	2,960
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	32-0599-77-15	\$ 217,737	\$ 217,737	
IDEA - Preschool	84.173	32-0599-77-15	\$ 8,727	8,727	
Total Special Education Cluster IDEA					
				<u>\$ 226,464</u>	\$ 226,464
Office of vocational and Adult Education					
Pass-Through - Montana Office of Public Instruction					
Carl Perkins Vocational Education	84.048	32-0599-82-15	\$ 13,446	\$ 13,446	\$ 13,446
Total U.S. Department of Education					
					<u>\$ 673,924</u>
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services Administration (SAMHSA)					
Pass-Through Missoula County					
Drug Free Communities	93.276		\$ 12,612	\$ 12,612	\$ 12,612
Total Expenditures of Federal Awards					
					<u>\$ 1,002,227</u>

Please see accompanying note to the schedule.

Frenchtown School District
Missoula County, Montana

Notes to the Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2015

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, 2015

	School Records	Enrollment Records	Variance
<u>Fall Enrollment-October 2013</u>			
Pre-Kindergarten	-	-	-
Kindergarten	87	87	-
Grades 1-6	555	555	-
Grades 7 & 8	188	188	-
Grades 9-12	370	370	-
Combined Total	<u>1,200</u>	<u>1,200</u>	-
<u>Winter Enrollment-December 2013</u>			
Pre-Kindergarten	-	-	-
Kindergarten	88	88	-
Grades 1-6	550	550	-
Grades 7 & 8	185	185	-
Grades 9-12	375	375	-
Combined Total	<u>1,198</u>	<u>1,198</u>	-
<u>Spring Enrollment-February 2014</u>			
Pre-Kindergarten	-	-	-
Kindergarten	87	87	-
Grades 1-6	549	549	-
Grades 7 & 8	187	187	-
Grades 9-12	374	374	-
Combined Total	<u>1,197</u>	<u>1,197</u>	-
<u>Part Time Spring Enrollment</u>			
<180 hrs/yr	5	5	-
180-359 hrs/yr	1	1	-
360-539 hrs/yr	-	-	-
540-719 hrs/yr	-	-	-
<u>Early High School Graduates-Spring</u>	2	2	-
<u>19 Year-olds at Spring Enrollment</u>	-	-	-

Frenchtown School District
Missoula County, Montana

Extracurricular Fund-Schedule of Revenues, Expenditures, and Changes in Fund Equity by
Student Activity for the Fiscal Year ended June 30, 2015

Organization	Balance June 30, 2014	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2015
Academic Challenge	\$ 1,510	\$ 1,886	2,195	\$ (416) \$	785
Activities	37,746	23,534	14,931	(6,145)	40,204
Art Club	66	16	-	(16)	66
Band	1,670	554	121	(316)	1,787
BBB Fund Raiser	100	6,287	5,442	(718)	227
Box Top Education	-	-	-	-	-
Boys Basketball	-	6,248	4,978	(1,270)	0
Candy Machine	2,330	799	-	(3,129)	(0)
Cheer	-	700	-	(700)	-
Cheerleaders	1,092	660	893	(84)	775
Choir	780	5,539	6,037	(85)	197
Class of 2019	-	-	-	500	500
Class of 2018	800	197	-	(197)	800
Class of 2017	400	714	45	(174)	894
Class of 2016	991	4,803	712	(498)	4,584
Class of 2015	2,340	3,285	4,163	(666)	796
Class of 2014	262	104	-	(366)	0
Concessions	21,280	37,139	34,071	(3,765)	20,583
Creative Film Club	-	-	-	-	-
Cross Country	-	525	340	(185)	0
Cross Country Fund Raiser	491	893	835	(129)	420
Destination Imagination K-6	4	1	-	(1)	4
Divisional Basketball	-	460	460	-	-
Elementary P.E. Fund	2,007	494	-	(494)	2,007
Elementary Special Ed. Projects	573	141	-	(141)	573
Elementary Comp For Education	-	-	-	-	-
Elementary Recycling	339	84	-	(84)	339
FCCLA	591	3,252	2,769	(368)	706
Football Gold Card Fund Raiser	2,720	4,886	4,695	(671)	2,239
Football	-	7,364	3,826	(3,538)	0
Foreign Language Club	-	-	-	-	-
GBB Fund Raiser	3,769	4,855	4,880	(1,174)	2,570
Girls Basketball	-	4,154	4,620	466	-
Golf	-	325	650	325	-
Golf Fund Raiser	11	7,179	3,460	(737)	2,994
Grade School Activities	4,302	5,831	6,307	(631)	3,196
Home Economics	815	201	-	(201)	815
In & Out	86	729	686	-	129
Industrial Tech Club	397	310	545	(98)	64
Sub-Total	\$ 87,472	\$ 134,149	\$ 107,660	\$ (25,707) \$	\$ 88,253

(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 Fiscal Year ended June 30, 2015

Organization	Balance June 30, 2014	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2015
(continued from previous page)					
Sub-Total	\$ 87,472	\$ 134,149	\$ 107,660	\$ (25,707)	\$ 88,253
Intermediate Activities	274	68	-	(68)	274
Jr. High Cross Country Fundraiser	-	22	-	67	89
Jr. High Festival	885	-	-	-	885
Jr. High GBB Fundraiser	335	205	-	293	833
Jr. High Lounge/Pop	102	1,253	520	(119)	716
Jr. High Soccer Fundraiser	44	42	-	85	171
Jr. High Tackle Football	1,682	928	252	(952)	1,406
Jr. High Track Fundraiser	-	2,061	2,048	-	13
Jr. High Volleyball Fundraiser	167	378	-	(108)	437
Jr. High Wrestling	-	883	440	-	443
JMG (Jobs for MT Grads)	153	38	21	(38)	132
Jr. High Activities	651	7,350	7,322	(28)	651
Jr. High Annual	-	140	-	-	140
Jr. High Graduation	335	4,352	3,278	(734)	675
Jr. High Student Council	213	11,238	9,347	(1,334)	770
Key Club	221	2,190	2,235	958	1,133
Little Dribblers	-	2,971	803	(386)	1,782
Math Counts	119	29	-	(29)	119
Meals	-	149	-	-	149
Music	-	654	409	-	245
Newspaper	248	61	-	(61)	248
NHS Scholarship	4,175	3,898	3,417	372	5,028
Pep Club	729	180	-	(179)	730
Percussion Fundraiser	49	1,612	1,556	(94)	11
S.C. Improvement Fund	3,680	976	210	(609)	3,838
Softball Fundraiser	5,952	5,552	7,396	(1,367)	2,741
School Play	456	9,702	8,826	(885)	447
Soccer	-	2,705	3,119	414	-
Soccer Fundraiser-Boys	411	1,062	-	(287)	1,186
Soccer Fundraiser-Girls	95	964	-	(209)	850
Softball	-	8,661	7,748	(913)	-
Speech & Drama	-	300	226	(74)	-
Speech & Drama Club	33	8	-	(8)	33
State Basketball	-	82	164	82	-
Student Council	808	6,034	5,600	38	1,280
Track	-	1,400	227	(1,173)	0
Track Fundraiser	3	1,829	1,696	(1)	135
Volleyball	-	5,829	7,268	1,439	-
Volleyball Fundraiser	2,037	2,938	4,803	(34)	138
WR Fundraiser	735	187	599	(181)	142
Wrestling	-	1,427	2,547	1,120	-
Yearbook	6,300	6,888	5,945	(1,768)	5,475
Fractional Interest Rounding	-	-	-	2	2
Total	\$ 118,364	\$ 231,393	\$ 195,682	\$ (32,475) *	\$ 121,600

Actual revenue = \$231,393 reduced by \$32,475 transfers to allocate formerly invested cash = \$198,918.

STATISTICAL INFORMATION

Frenchtown School District
Missoula County, Montana

Supplemental Information
For the Year Ended June 30, 2015

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	
Change	6	0.5%
October 2014	1,200	

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%
January 1, 2015	\$ 734,600,000	\$ 10,800,000	1.47%

Note: 2015 reassessment and taxable valuation formula change

Frenchtown School District
Missoula County, Montana

Supplemental Information
For the Year Ended June 30, 2015

School District Tax Levies (in mills)

Taxing Entity	Fiscal Year Ended June 30,								
	2007	2008	2009 ¹	2010	2011	2012	2013	2014	2015
School District No.40									
General Fund	156.20	156.80	161.39	155.71	164.70	167.60	166.84	167.68	167.62
Transportation Fund	11.46	14.18	20.46	20.70	16.25	17.32	20.47	20.02	23.81
Debt Service Fund	10.15	112.29	74.04	98.50	100.33	100.93	104.46	95.81	106.87
Bus Depreciation Fund	6.66	4.88	9.60	8.25	6.31	0.69	0.71	18.08	17.92
Building Reserve Fund	3.64	3.81	4.02	0.00	0.00	0.00	0.00	0.00	0.00
Technology Fund	2.55	2.67	2.81	2.62	2.88	3.20	3.17	3.16	3.14
Adult Education Fund	0.00	0.00	2.00	2.00	0.00	0.00	0.00	1.00	1.00
Tuition Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.92
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>	<u>328.28</u>
State School Levy	144.26	144.26	145.64	144.62	143.45	142.50	140.17	144.60	145.64
District Levy	190.66	294.63	274.32	285.78	290.47	289.74	295.65	305.75	328.28
State Levy-University	6.00	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	196.46
Frenchtown Rural Fire District	42.08	136.19	46.46	46.46	46.46	46.46	50.14	54.14	58.14
Others: MUTD, Elk Meadows							136.34	175.30	192.36
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>	<u>926.88</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
2014/15	\$ 3,663,614	\$ 3,458,600	94.40%	\$ 3,602,034	98.3%
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%

Note: Fiscal 2014/15 includes \$69,733 of protested taxes received

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, 2015

Major Taxpayers

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

<u>Taxpayer</u>	<u>Business</u>	<u>January 1, 2015 Taxable Value</u>	<u>Percent of Ten Largest Values</u>	<u>Percent of Total Taxable Value</u>
Montana Rail Link	Railroad	\$ 348,253	21.78%	3.2246%
M2Green Redevelopment	Industrial	275,870	17.26%	2.5544%
Missoula Electric Coop INC	Electric Utility	256,991	16.07%	2.3795%
NorthWestern Energy	Gas and Electric Utility	248,759	15.56%	2.3033%
Montana Stewards LLC	Town Pump Travel Plaza	132,913	8.31%	1.2307%
Centurylink INC	Tele-Communications	99,389	6.22%	0.9203%
Riverside Contracting	Construciton	79,842	4.99%	0.7393%
Verizon Wireless	Tele-Communications	64,673	4.05%	0.5988%
Decker Montana Land Company LLC	Agricultural/Land	49,965	3.13%	0.4626%
4M Family Limited Partnership	Truck Stop (Muralts)	42,072	2.63%	0.3896%
Total		<u>\$ 1,598,727</u>	<u>100.00%</u>	<u>14.8030%</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, 2015 of \$ 10,800,000. 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 FY 15 Budget</u>	<u>Percent Allowed</u>	<u>Maximum Bonded Indebtedness</u>
High School	\$ 25,510	403	50%	\$ 5,140,265
Elementary	\$ 31,217	818	50%	12,767,753
Maximum Bonded Indebtedness Allowed				<u>17,908,018</u>
Less:				
Outstanding Bonds at June 30, 2015				(13,780,000)
Maximum Bonded Indebtedness Available				<u>\$ 4,128,018</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, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued my report thereon dated February 28, 2016.

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. 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
Cote & Associates, CPA, PLLC

February 28, 2016
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, 2015. 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, 2015.

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, 2015 and have issued my report thereon dated February 28, 2016 which contained a modified 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
Cote & Associates, CPA, PLLC

February 28, 2016
Missoula, Montana

Frenchtown School District
Missoula County, Montana

Summary of Auditor's Results for the Year Ended June 30, 2015

<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 or greater
Auditee qualified as low-risk auditee?	Yes

Frenchtown School District
Missoula County, Montana

Summary of Auditor's Results for the Year Ended June 30, 2015

SCHEDULE OF FINDINGS

There were no findings for the June 30, 2015 report

REPORT ON PRIOR FINDINGS

There were no findings for the June 30, 2014 report