

**LEWISTOWN SCHOOL DISTRICT NO. 1**

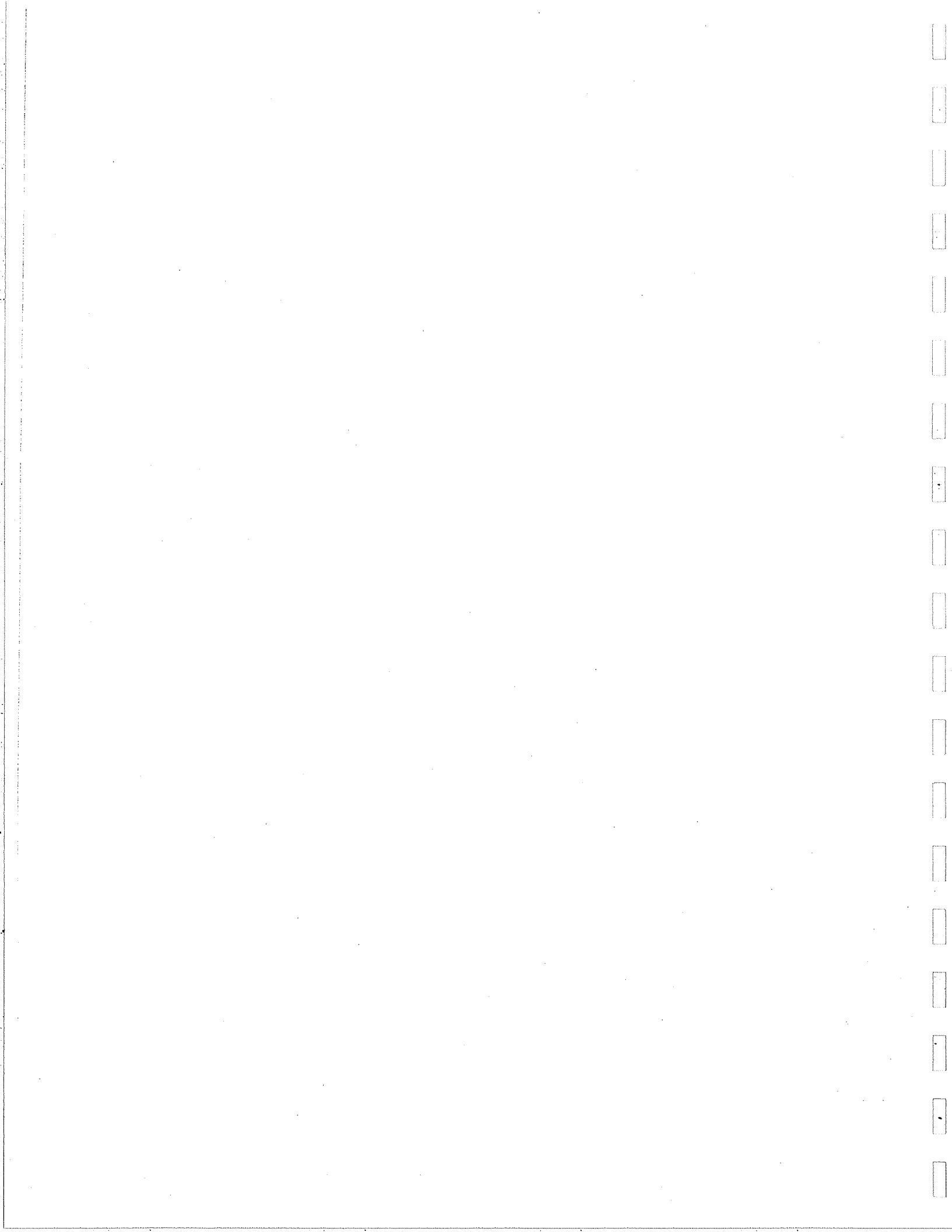
**FERGUS COUNTY  
LEWISTOWN, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**



Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

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Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

ORGANIZATION

BOARD OF TRUSTEES

Barbara Thomas	Chair
Jeremy Bristol	Vice Chair
Phil Koterba	Trustee
Monte Weeden	Trustee
Jennifer Thompson	Trustee
Shelley Poss	Trustee
CJ Bailey	Trustee

OFFICIALS

Jason Butcher	Superintendent
Rebekah Rhoades	District Clerk
Rhonda Long	County Superintendent
Thomas Meissner	County Attorney

**Lewistown Public Schools  
Management Discussion and Analysis (MD&A)  
For The Year Ended June 30, 2014**

The Business Manager of the Lewistown Public Schools has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2014.

**Using This Financial Report**

The general format of the report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). This is born the GASB 34 requirement.

**Reporting the School District as a Whole**

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure operations using an economic resources measurement focus, and use the accrual basis accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The Statement of Net Position shows "assets" (what is owned), "liabilities" (what is owed), and the "net position" (the resources that would remain if all obligations were settled) of the school district. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The Statement of Activities shows the amounts of program-specific and general school district revenue used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories:

Governmental activities – The school functions including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Proprietary (business-type) activities – school operations included in this category include IMC, Central Supply Store, and Central Transportation.

**Reporting the District's Most Significant Funds**

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

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

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

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

**Reporting the District's Trust and Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for endowments (including Eveline Eccles and Alweis Scholarships) and the student extracurricular fund.

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

#### Budget-to-Actual Comparisons

As previous audits have shown, the district had not been reconciling its records with the information provided by the County Treasurer. Those records were reconciled in FY2008, and in the course of that process, several errors were found. Those errors necessitated prior period revenue and expenditure adjustments. The district amended its budgets where possible to make the best use of these adjustments.

Outside of these adjustments, there were no significant variances from our initial revenue and expenditure estimates.

#### THE DISTRICT AS A WHOLE

Net Position serves over time as a useful indicator of a school district's financial position. In the Lewistown Public Schools, assets exceeded liabilities by \$10,648,544 as of June 30, 2014. Approximately 45% of the district's net position reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, and machinery and equipment).

#### **Lewistown Public Schools Condensed Statement of Net Position**

	Governmental Activities FY 2014			
	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Current Assets	\$ 6,947,804	\$ 8,424,862	\$ (1,477,058)	-17.53%
Capital Assets, net	<u>6,787,426</u>	<u>6,768,821</u>	<u>18,605</u>	<u>0.27%</u>
Total Assets	13,735,229	15,193,683	(1,458,454)	-9.60%
Current Liabilities	96,831	97,039	(208)	-0.21%
Long Term Liabilities	<u>4,289,511</u>	<u>3,907,930</u>	<u>381,581</u>	<u>9.76%</u>
Total Liabilities	4,386,342	4,004,969	381,373	9.52%
Net Position:				
Net Investment in Capital Assets	4,700,176	4,681,571	18,605	0.40%
Restricted	6,505,073	7,233,556	(728,483)	-10.07%
Unrestricted	<u>(551,832)</u>	<u>(726,413)</u>	<u>174,581</u>	<u>-24.03%</u>
Total Net Position	10,653,417	11,188,714	(535,297)	-4.78%

**Lewistown Public Schools  
Changes in Net Position**

Governmental Activities FY 2014

Revenues	2014	2013	CHANGE	% CHANGE
Program Revenues:				
Charges for Services	706,372	731,280	(24,908)	-3.41%
Operating Grants	1,811,795	1,448,920	362,875	25.04%
General Revenues:				
District Levies	3,418,575	3,470,966	(52,391)	-1.51%
State Equalization	3,306,267	3,295,090	11,177	0.34%
Other State Revenues	2,318,709	2,756,670	(437,961)	-15.89%
County	1,208,578	911,162	297,416	32.64%
Interest	43,668	43,417	251	0.58%
Gain on Asset	139,684	117,294	22,390	19.09%
Other	<u>107,342</u>	<u>122,401</u>	<u>(15,059)</u>	<u>-12.30%</u>
Total Revenues	13,060,989	12,897,200	163,789	1.27%
Program Expenses				
Instructional Services (includes OPEB)	7,311,766	6,463,052	848,714	13.13%
Support Services	522,394	645,494	(123,100)	-19.07%
Educational Media Services	481,611	535,112	(53,501)	-10.00%
General Administrative Services	1,795,288	1,738,616	56,672	3.26%
Operation & Maintenance Services	1,649,620	1,690,410	(40,790)	-2.41%
Transportation Services	859,820	821,464	38,356	4.67%
School Food Services	675,002	714,608	(39,606)	-5.54%
Extracurricular	271,688	247,298	24,390	9.86%
Other Current Charges	26,418	41,351	(14,933)	-36.11%
OPEB		347,146	(347,146)	-100.00%
Interest and other charges	500	-	500	100.00%
Unallocated Depreciation Expense *	<u>6,534</u>	<u>4,954</u>	<u>1,580</u>	<u>31.88%</u>
Total Expenses	<u>13,600,642</u>	<u>13,249,505</u>	<u>351,137</u>	<u>2.65%</u>
Change in Net Position	(539,652)	(352,305)	(187,347)	

**Capital Assets**

As of June 30, 2014, the District had invested over \$6 million in capital assets including land and land improvements, buildings and improvements, and machinery and equipment. General fixed assets are reported at historical cost. Historical cost was established at the initial booking of fixed assets by determining actual costs or estimating using standard costing procedure. The District's fixed asset policy is set to include items of \$5,000 and a useful life in excess of one year. The following schedule presents capital balances with accumulated depreciation as of June 30, 2014.

Land and Improvements	1,647,374
Accumulated Depreciation	( 778,254)
	869,120
Buildings and Improvements	11,309,206
Construction in Progress	0
Accumulated Depreciation	(6,182,571)
	5,126,635
Machinery and Equipment	3,209,130
Accumulated Depreciation	(2,417,458)
	791,672

**The District's Future**

Although state law enables districts to use three-year average enrollment when calculating budgets, the District will continue to feel the effects of lower student population—even though enrollment seems to have leveled off. There is growing need for services for special students, as that population continues to grow. The current Lewistown Collective Bargaining Agreement extends through FY16, and included a 1% (FY15) and 2% (FY16) raise for all employees. Although we had several retirements in 2014, the demographics of the District may change as we see the average age for staff continue to increase. Future retirements could have an effect on the budgets and the dynamics of the District.

The district also faces other challenges and decisions including:

- The Lewistown Board of Trustees chose not to request any levies for increased operating funds to the voters last spring. Due to failed attempts in the past the Board is very conscientious in what they ask of taxpayers. Given the community's reluctance to approve higher taxes, the Board must weigh the merits of pursuing future levy requests.
- The District estimates that general building repairs and maintenance in excess of \$10 million will be necessary over the next several years. The Building Reserve Levy passed in 2005 is expiring at the end of FY2015. The Board will need to determine if another Building Reserve Levy will be presented to voters in the near future.
- The Lewistown Airport Board, due to changes in FAA Regulations, has clearly indicated that the District should make plans for relocating its bus barn operations. To this end, the District levied \$250,000 in 2009, 2010, 2011, and 2012 to begin saving for the possibility of moving the bus barn operations. In 2014 an election was run requesting permission from the voters to purchase land and a building to relocate the operations. The election passed and the purchase was made in June. Renovations will be made in 2015 to the purchased building in order to accommodate a bus barn.
- The Trustees and teacher's union will begin the negotiation process in December for FY2017 and FY2018. The two groups must agree to terms that are fiscally responsible, but promote the recruitment and retention of quality instructional staff.

In the end, all of the District's finances boil down to how effectively we are educating our children. There are many ways to measure our progress, and none of them are perfect. Nonetheless, our District continues to struggle to meet adequate yearly progress as required by the federal government. As a result, we must continue to keep our focus on our students' education and allocate our resources in the manner that best serves them.

**Contact for Additional Information**

If you have questions about this report or need additional information, contact the Business Manager at the Lewistown Public Schools, 215 7<sup>th</sup> Avenue South, Lewistown, MT 59457, (406)-535-8777 x116.



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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 6) and budgetary comparison information (pages 30 - 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewistown School District No. 1's basic financial statements. The accompanying schedule of reported enrollment (page 34) and schedule of revenues, expenses and balances student activity funds (page 35) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (page 36 - 37) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015 on our consideration of Lewistown School District No. 1 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lewistown School District No. 1 internal control over financial reporting and compliance.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
January 26, 2015

Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

STATEMENT OF NET POSITION  
 as of June 30, 2014

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,525,853
Taxes Receivable	264,970
Due From Other Governments	91,235
Other Current Assets	8,755
Inventories	53,398
Prepaid Expenses	1,092
Deposits	2,500
Total Current Assets	<u>6,947,804</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,304,530
Capital Assets:	
Land	590,530
Net Depreciable Assets	<u>6,196,896</u>
Total Noncurrent Assets	<u>8,091,956</u>
Total Assets	<u>\$ 15,039,760</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Other Current Liabilities	\$ 11,181
Fund Overdraft	615
Current Portions Long-Term Obligations	42,000
Current Portions Compensated Absences	<u>43,035</u>
Total Current Liabilities	<u>96,831</u>
Noncurrent Liabilities:	
Long-Term Obligations	1,614,996
Compensated Absences	587,265
Long-Term Capital Obligations	<u>2,087,250</u>
Total Noncurrent Liabilities	<u>4,289,511</u>
Total Liabilities	<u>4,386,342</u>
<b>NET POSITION:</b>	
Net investment in capital assets	4,700,176
Restricted	6,505,073
Unrestricted (Deficit)	<u>(551,832)</u>
Total Net Position	<u>10,653,417</u>
Total Liabilities and Net Position	<u>\$ 15,039,759</u>

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

Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
				Primary Governmental
	Expenses	Charge for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENT OPERATIONS</b>				
Instructional Services	\$ 7,311,766	\$ 65,933	\$ 1,306,738	\$ (5,939,094)
Support Services	522,394	254,244	54	(268,096)
Educational Media Services	481,611	0	39,018	(442,593)
General Administrative Services	1,795,288	115,172	-	(1,680,116)
Operation & Maintenance Services	1,649,620	12,739	3,212	(1,633,669)
Transportation Services	859,820	-	208,193	(651,627)
School Food Services	675,002	258,284	254,580	(162,139)
Extracurricular	271,688	-	-	(271,688)
Other Current Charges	26,418	-	-	(26,418)
Debt Service				
Interest and other charges	500	-	-	(500)
Unallocated Depreciation Expense *	6,534	-	-	(6,534)
Total Governmental Activities	<u>13,600,642</u>	<u>706,372</u>	<u>1,811,795</u>	<u>(11,082,475)</u>
<b>GENERAL REVENUES</b>				
District Levies				3,418,575
State Equalization				3,306,267
Other State Revenues				2,318,709
County				1,208,578
Interest				43,668
Other				107,342
Gain loss on Sale of Assets				139,684
Total General Revenues				<u>10,542,823</u>
Change in Net Position				<u>(539,652)</u>
<b>Net Position</b>				
Beginning of the Year				11,188,714
Prior Period Adjustments				<u>4,356</u>
End of the Year				<u>\$ 10,653,417</u>

\* Excludes depreciation included in direct expenses of the various functions

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

Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

BALANCE SHEET  
GOVERNMENTAL FUNDS  
as of June 30, 2014

	MAJOR			Other	Total
	General	Debt Service (Elem.)	Building Reserve (HS)	Governmental Funds	Governmental Funds
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,343,900	\$ 135,165	\$ 895,826	\$ 4,136,280	\$ 6,511,172
Taxes Receivable	191,001	9,410	7,202	57,358	264,970
Due From Other Governments	-	-	-	91,235	91,235
Other Current Assets	-	-	-	8,755	8,755
Inventories	-	-	-	53,398	53,398
Prepaid Expenses	-	-	-	1,092	1,092
Deposits	-	-	-	2,500	2,500
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	1,304,530	-	-	1,304,530
<b>Total Assets</b>	<b>\$ 1,534,901</b>	<b>\$ 1,449,105</b>	<b>\$ 903,027</b>	<b>\$ 4,350,619</b>	<b>\$ 8,237,652</b>
<b>LIABILITIES:</b>					
Current Liabilities					
Fund Overdraft	-	-	-	615	615
Other Current Liabilities	-	-	-	11,181	11,181
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,796</b>	<b>11,796</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Taxes Receivable	191,001	9,410	7,202	57,358	264,970
<b>Total Deferred Inflows of resources</b>	<b>191,001</b>	<b>9,410</b>	<b>7,202</b>	<b>57,358</b>	<b>264,970</b>
<b>FUND BALANCE:</b>					
Fund Balances:					
Nonspendable	-	-	-	54,490	54,490
Committed	-	-	-	201,179	201,179
Restricted	-	1,439,695	895,826	4,026,411	6,361,932
Unassigned:	1,343,900	-	-	(615)	1,343,285
<b>Total Fund Balance</b>	<b>1,343,900</b>	<b>1,439,695</b>	<b>895,826</b>	<b>4,281,465</b>	<b>7,960,886</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,534,901</b>	<b>\$ 1,449,105</b>	<b>\$ 903,027</b>	<b>\$ 4,350,619</b>	<b>\$ 8,237,652</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 7,960,886
Internal Service Fund Net Position	14,682
Governmental Capital Assets	6,787,426
Long-term Liabilities	
Long-Term Obligations	(1,656,996)
Compensated Absences	(630,300)
Long-Term Capital Obligations	(2,087,250)
Unavailable Property Taxes Receivable	264,970
<b>Net Position of Governmental Activities</b>	<b>\$ 10,653,418</b>

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

Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	MAJOR			Other	Total
	General	Debt Service (Elem.)	Building Reserve (HS)	Governmental Funds	Governmental Funds
REVENUES:					
District Levies	\$ 2,595,300	\$ 124,052	\$ 97,163	\$ 642,181	\$ 3,458,697
Interest	11,609	1,220	4,970	25,869	43,668
Charges for Services	-	-	-	438,722	438,722
Other	824	-	-	106,517	107,342
County	-	-	-	1,312,674	1,312,674
State	6,211,176	139,464	-	489,367	6,840,007
Federal	-	-	-	760,318	760,318
Total Revenues	8,818,909	264,736	102,134	3,775,648	12,961,427
EXPENDITURES:					
Current					
Instructional Services	5,166,503	-	-	1,743,411	6,909,914
Support Services	271,951	-	-	256,644	528,595
Educational Media Services	310,324	-	-	165,782	476,106
General Administrative Services	1,295,242	-	-	476,995	1,772,237
Operation & Maintenance Services	1,248,969	-	-	97,990	1,346,959
Transportation Services	56,686	-	-	629,843	686,529
School Food Services	107,271	-	-	561,902	669,173
Extracurricular	237,551	-	-	31,428	268,979
Other Current Charges	-	-	-	34,000	34,000
Total Current Outlays	8,694,498	-	-	3,997,995	12,692,493
Debt Service					
Interest and other charges	-	500	-	-	500
Capital Outlay	73,028	-	-	477,535	550,563
Total Expenditures	8,767,526	500	-	4,475,530	13,243,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,383	264,236	102,134	(699,882)	(282,129)
OTHER FINANCING SOURCES/USES					
Sale of Capital Assets	-	-	-	139,684	139,684
Fund Transfers In	-	-	-	201,179	201,179
Fund Transfers (Out)	(201,179)	-	-	-	(201,179)
Total Other financial Sources/Uses	(201,179)	-	-	340,863	139,684
NET CHANGES IN FUND BALANCES	(149,796)	264,236	102,134	(359,019)	(142,445)
FUND BALANCE:					
Beginning of the Year	953,784	1,175,459	793,692	5,180,396	8,103,331
Prior Period Adjustments	539,912	-	-	(539,912)	-
End of the Year	\$ 1,343,900	\$ 1,439,695	\$ 895,826	\$ 4,281,465	\$ 7,960,886

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

Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net Changes in Fund Balance	\$	(142,445)
Change in net position from internal service funds		7,554
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		(40,122)
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(529,187)	
Increase in Retirement Incentives	(84,000)	
(Increase) decrease in Other Post Employment Benefits	(342,272)	
(Increase) decrease in compensated absence liability	<u>40,256</u>	(915,203)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays		<u>550,563</u>
Change in net position reported on the Statement of Activity	\$	<u>(539,652)</u>

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

Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
as of June 30, 2014

	Governmental Activities - <u>Internal Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 14,682
Total Assets	<u>\$ 14,682</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Unrestricted (Deficit)	<u>14,682</u>
Total Net Position	<u>14,682</u>
Total Liabilities and Net Position	<u>\$ 14,682</u>

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



Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service
OPERATING REVENUES:	
Charges for Services	\$ 137,246
Total Operating Revenues	<u>137,246</u>
OPERATING EXPENSES:	
Personal services	<u>129,692</u>
Total Operating Expense	<u>129,692</u>
OPERATING INCOME (LOSS)	<u>7,554</u>
CHANGE IN NET POSITION	7,554
NET POSITION:	
Beginning of the Year	-
Prior Period Adjustments	<u>7,128</u>
End of the Year	<u>\$ 14,682</u>

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

Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2014

	Governmental Activities - Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 137,246
Payments of Benefits	(129,692)
Net Cash Provided (Used) by Operating Activities	7,554
Net Increase (Decrease) In Cash and Cash Equivalents	7,554
BALANCE:	
Beginning of the Year	-
Prior Period Adjustments	7,128
End of the Year	\$ 14,682

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 7,554
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	-
Net Cash Provided (Used) by Operating Activities	\$ 7,554

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

Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 as of June 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 297,690	\$ 939,899
Other Current Liabilities	13,255	\$ -
Total Assets	310,945	939,899
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	939,899
Total Liabilities	-	939,899
NET POSITION:		
Restricted for Endowment	109,880	
Restricted for Student Activities	201,066	
Total Net Position	\$ 310,945	

STATEMENT OF CHANGES IN FIDUCIARY NET  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 397,785
Contributions to Endowment	566
Total Additions	398,351
DEDUCTIONS:	
Expenses of Student Activities	393,924
Total Deductions	393,924
CHANGE IN NET POSITION	4,426
NET POSITION:	
Beginning of the Year	306,519
End of the Year	\$ 310,945

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of School District No. 1 have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the district adopted the following:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the district.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The district has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the district assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the district to expand its pension foot note disclosures. The district plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The district is not merging with another district or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The district plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

School District No. 1 consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the District. Based on those criteria this district has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole except for the fiduciary funds. The fiduciary funds are reported as a private purpose trust fund in the fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

LEWISTOWN SCHOOL DISTRICT NO. 1

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and facility rental fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds, proprietary funds with all internal service funds combined in one column. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the entity-wide statements.

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

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

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

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

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

The following funds are major funds of School District No. 1:

- General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the elementary and high school metal mines tax reserve funds and the elementary and high school flexibility funds since the restrictions on those funds are similar to the general fund.
- Elementary Debt Service Fund – This fund is used to account for the financing needs of the district to pay interest and principal on outstanding bonds and special improvement district (SID) assessments.
- High School Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with district mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the district.

LEWISTOWN SCHOOL DISTRICT NO. 1

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

1. b. 3 OTHER FUND TYPES

Trust Funds – The Trust Fund accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – The Agency Funds generally are used to account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer.

Internal Service Funds – This fund includes a self-insurance dental and vision insurance fund which account for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. This fund uses the accrual method of accounting mentioned in the government-wide section above. All assets and liabilities associated with internal funds are included on its balance sheet. Investment earnings are non-operating revenues.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Fergus County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food are carried in an inventory account at average cost and are subsequently charged to expenditures when consumed. Inventories also include maintenance and operating supplies as well as instructional supplies.

1. c. 4 CAPITAL ASSETS

The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Buildings	7 – 50 years
Improvements other than buildings	20 – 25 years
Machinery and Equipment	5 – 25 years

LEWISTOWN SCHOOL DISTRICT NO. 1

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

1.c. 5 VACATION AND SICK LEAVE

School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Certified staff also receive 25% of accumulated sick leave, but are limited to 160 days accumulation and must be an employee of the district for at least 8 years before any payout is received.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$43,035 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$630,300.

1.c. 6 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. The government's highest level of decision-making authority, the board of trustees, must approve all committed expenditures.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>
Instructional - Regular	\$ 0	\$ 246,342	\$ 154,421
Operations and Maintenance	0	19,827	46,758
Student Transportation	0	1,651,609	0
School Food	53,398	3,907	0
Third Party Grantor Restrictions	1,092	707,830	0
Employer Retirement Benefits	0	438,684	0
Future Technology	0	153,595	0
Future Capital Costs	0	1,700,443	0
Debt Service	0	1,439,695	0
Total	<u>\$ 54,490</u>	<u>\$ 6,361,932</u>	<u>\$ 201,179</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed, then assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

## LEWISTOWN SCHOOL DISTRICT NO. 1

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

## 1. d. OTHER

## 1. d. 1 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 6,525,853	\$ 1,237,589	\$ 7,763,442
Cash Overdraft	(615)	0	(615)
Restricted Assets	1,304,530	0	1,304,530
Total	<u>\$ 7,829,768</u>	<u>\$ 1,237,589</u>	<u>\$ 9,067,357</u>

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

	<u>Amount</u>
Cash on Hand	\$ 141
Demand Accounts	215,747
Fiscal Agent Deposit	1,304,530
County Investment Pool	7,546,939
Total	<u>\$ 9,067,357</u>

Cash resources of the District are held and managed by the Fergus County treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Fergus County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreement, U.S. government securities, and STIP and are carried at fair value. The school district's exposure to credit risk is not available to the district. Risk in the event of loss is unclear in state law, but appears to be the liability of the Fergus County government. Because of the custodial involvement of the Fergus County government, and the commingling of cash in County deposits in the name of the Fergus County Treasurer, full risk classifications according to GASB 40 are available in the Fergus County's annual report. There is no known maturity and credit rating of the Fergus County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at Fergus County. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$1,054,530 of the District's fiscal agent certificate of deposit balance of \$1,304,530 was exposed to custodial credit risk. The amount exposed to custodial credit risk was uninsured and un-collateralized.

The \$1,304,530 cash held in trust relates to QZAB bonds outstanding. When the bonds become due the cash in this investment will be used to pay the bonds in full.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2013 fiscal year was based, was \$12,137,617 for the elementary district and \$13,129,647 for the high school district. The tax rates assessed for the year ended June 30, 2014 to finance District operations and applicable taxes receivable for the elementary and high school districts follows:



LEWISTOWN SCHOOL DISTRICT NO. 1

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

		Taxes
Elementary Fund	Mill Levies	Receivable
General*	130.88	\$ 120,129
Transportation	19.08	23,800
Bus Depreciation	0	384
Tuition	1.65	929
Technology	5.07	4,773
Debt Service*	10.33	9,410
Building Reserve	8.07	7,559
High School Fund		
General*	78.58	70,872
Transportation	5.62	8,401
Bus Depreciation	0	347
Tuition	1.86	1,193
Adult Education	6.00	5,652
Technology	4.13	4,070
Debt Service	0	250
Building Reserve*	7.46	7,201
Total	<u>278.73</u>	<u>\$ 264,970</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

Elementary Fund	Amount	Due From	Reason
Miscellaneous	\$ 70,716	State of MT	Title I Part A grant
Miscellaneous	809	State of MT	School wellness in action grant
Miscellaneous	1,904	MBI Institute	MBI Institute
Miscellaneous	5,135	State of MT	Title I part A grant
High School Fund			
Miscellaneous	4,168	State of MT	ABLE grant
Miscellaneous	903	State of MT	Carl Perkins grant
Traffic Education	7,600	State of MT	Per pupil reimbursement
Total	<u>\$ 91,235</u>		

\* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance July 1, 2013	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2014
Non-Depreciable:					
Land	<u>\$ 444,775</u>	<u>\$ 145,755</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 590,530</u>
Depreciable:					
Land Improvements	\$ 1,056,843	\$ 0	\$ 0	\$ 0	\$ 1,056,843
Buildings	10,989,265	319,941	0	1	11,309,206
Major Equipment	3,211,532	84,868	87,270	1	3,209,131
Total Depreciable	<u>\$ 15,257,640</u>	<u>\$ 404,808</u>	<u>\$ 87,270</u>	<u>\$ 2</u>	<u>\$ 15,575,180</u>
Accumulated Depreciation:					
Land Improvements	\$ (733,433)	\$ (44,823)	\$ 0	\$ 0	\$ (778,256)
Buildings	(5,906,328)	(273,469)	0	(2,774)	(6,182,571)
Major Equipment	(2,293,833)	(210,895)	(87,270)	0	(2,417,458)
Total Depreciation	<u>\$ (8,933,594)</u>	<u>\$ (529,187)</u>	<u>\$ (87,270)</u>	<u>\$ (2,774)</u>	<u>\$ (9,378,285)</u>
Net Depreciable Assets	<u>6,324,046</u>	<u>(124,378)</u>	<u>0</u>	<u>(2,772)</u>	<u>6,196,896</u>
Net Governmental Capital Assets	<u>\$ 6,768,821</u>	<u>\$ 21,377</u>	<u>\$ 0</u>	<u>\$ (2,772)</u>	<u>\$ 6,787,426</u>

## LEWISTOWN SCHOOL DISTRICT NO. 1

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

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 24,367
Media	2,800
School Administration	8,320
Operation & Maintenance	308,451
Transportation	170,320
School Food	3,375
Extracurricular	5,020
Unallocated	6,534
Total Depreciation Expense	<u>\$ 529,187</u>

NOTE 6. EMPLOYEE RETIREMENT SYSTEM

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

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

Teachers Retirement System	Public Employees Retirement System
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	1712 Ninth Avenue
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.doa.state.mt.us	www.state.mt.us/doa/perb/prb.htm

The PERS rates for employees was 6.9% and for new hires after July 1, 2011, 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 6.8%. The TRS rates for employees was 7.15% and the State was set at 2.49%. The TRS rate for employers was 7.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 941,778	\$ 959,635	\$ 1,157,079
PERS	220,199	238,109	265,517
Total	<u>\$ 1,161,977</u>	<u>\$ 1,197,744</u>	<u>\$ 1,422,596</u>

NOTE 7. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The district has joined with other districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums assessed. There is no other liability to the district other than timely payments of premiums. The district can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The District has no coverage for potential losses from environmental damages.

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

LEWISTOWN SCHOOL DISTRICT NO. 1

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

NOTE 8. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
Bonds Payable	\$ 2,087,250	\$ 0	\$ 0	\$ 2,087,250	\$ 0
<u>Other Liabilities:</u>					
Compensated Absences	\$ 670,556	\$ 0	\$ 40,256	\$ 630,300	\$ 43,035
Retirement Incentive	0	84,000	0	84,000	42,000
Other Post-Employment Benefits (OPEB)	1,230,724	342,272	0	1,572,996	0
Total Other Liabilities	\$ 1,901,280	\$ 426,272	\$ 40,256	\$ 2,287,296	\$ 85,035
Total Governmental Activities					
- Long-Term Debt:	\$ 3,988,530	\$ 426,272	\$ 40,256	\$ 4,374,546	\$ 85,035

8. b. QZAB BONDS

The elementary district issued QZAB bonds in fiscal year 2009 for the repair of the middle school roof and replacement of a heating and ventilation system in elementary school buildings. QZAB bonds are direct obligations and pledge the full faith and credit of the District. These bonds all mature in 8 years. The elementary district will make payments to a sinking fund with the U.S. Bank of \$260,906. The first payment was made in June 2010. Interest is earned on the sinking fund at 2%, which is the same interest rate of the bonds. Therefore, when the bonds mature in 8 years, the sinking fund will have the total payment. The amount outstanding is the total value of the bonds sold. The cash in the sinking fund is shown in the total cash held by the district. Interest earned on the sinking funds is added to the total available to pay the bonds when they come due. Cash in the sinking fund at June 30, 2014 is \$1,304,530 and is part of the elementary debt service fund. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
QZAB Bonds	June 2009	2%	8 years	June 2018	2,087,250	2,087,250

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>Elementary</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 234,815	\$ 26,091
2016	229,597	31,309
2017	224,379	36,529
Totals	\$ 688,791	\$ 93,929

8. c. RETIREMENT INCENTIVE

In February 2014, the District offered certified teachers a one-time incentive to retire as of June 30, 2014. The incentive offered \$500 per month for each teacher, who accepted the offer, for a period of 24 months for a total liability of \$12,000 per teacher. The incentive was accepted by seven teachers. The changes in the retirement incentive liability are noted below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Retirement Incentive	6/30/2014	0%	2 years	6/30/2016	\$ 84,000	\$ 84,000

Debt service requirements to maturity for the retirement incentive are as follows:

Year:	<u>Elementary</u>		<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 36,000	\$ 0	\$ 6,000	\$ 0
2016	36,000	0	6,000	0
Totals	\$ 72,000	\$ 0	\$ 12,000	\$ 0

LEWISTOWN SCHOOL DISTRICT NO. 1

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

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 120,129	Taxes Receivable
Transportation	23,800	Taxes Receivable
Bus Depreciation	384	Taxes Receivable
Tuition	929	Taxes Receivable
Technology	4,773	Taxes Receivable
Debt Service*	9,410	Taxes Receivable
Building Reserve	7,559	Taxes Receivable
<u>High School Fund</u>		
General*	70,872	Taxes Receivable
Transportation	8,401	Taxes Receivable
Bus Depreciation	347	Taxes Receivable
Tuition	1,193	Taxes Receivable
Adult Education	5,652	Taxes Receivable
Technology	4,070	Taxes Receivable
Debt Service	250	Taxes Receivable
Building Reserve*	7,201	Taxes Receivable
Total	<u>\$ 264,970</u>	

\* Denotes Major Funds

9.b UNEARNED INCOME

<u>School / Fund</u>	<u>Amount</u>	<u>Reason</u>
Elementary-Food Service	<u>\$ 11,181</u>	Prepaid Lunches

NOTE 10. OPERATING LEASES

On 7/1/2013 the District entered into an annual lease with Lewistown Municipal Airport for the use of land for its bus barns. The lease was for one (1) year with payment of \$2,708. The lease is reviewed every year.

NOTE 11. DEFICIT FUND BALANCES

<u>Elementary Fund</u>	<u>Amount</u>	<u>How to Correct</u>
Tuition	\$ <u>615</u>	Collect taxes receivable

NOTE 12. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
Metal Mines Tax Reserve	\$ 86,961	Included in general fund since it has similar restrictions.
Flexibility	135,778	Included in general fund since it has similar restrictions.
<u>High School Fund</u>		
Metal Mines Tax Reserve	165,571	Included in general fund since it has similar restrictions.
Flexibility	<u>151,602</u>	Included in general fund since it has similar restrictions.
Total	<u>\$ 539,912</u>	
Internal Service fund	\$ 7,128	Prior year activity not posted in accounting records.
Governmental Type Activities	<u>(2,772)</u>	Capital asset adjustment.
Total	<u>\$ 4,356</u>	

NOTE 13. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>High School Fund - To</u>
General*	\$ 55,357	Interlocal Agreement - General & curriculum use.
<u>High School Fund - From</u>		<u>High School Fund - To</u>
General*	<u>145,822</u>	Interlocal Agreement - General, curr., & maint. use.
Total	<u>\$ 201,179</u>	

\* Denotes Major Funds

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)

Fiscal Year-Ended June 30, 2014

NOTE 14. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The District provides the same health care plan to all of its members. The implicit subsidy is \$5,496 per member and \$8,472 per member and spouse. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 45% of plan participants would elect to continue coverage after retirement. Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 4,196,710
Actuarial value of plan assets	0
Unfunded Actuarial Accrued Liability (UAAL)	<u>4,196,710</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 7,517,359
UAAL as a percentage of covered payroll	56%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 342,272
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	342,272
Contribution made	<u>0</u>
Increase in net OPEB obligation	342,272
Net OPEB obligation - beginning of year	<u>1,230,724</u>
Net OPEB obligation - end of year	<u>\$ 1,572,996</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	4.25%
Average Salary Increase	2.50%

Health care cost rate trend	
Year	% Increase
2015	8.5%
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021 and after	5.0%

NOTE 15. MULTIDISTRICT COOPERATIVE

The District has entered into an agreement with Lewistown Elementary, Fergus High School, Denton Elementary, Denton High School, Grass Range Elementary, Grass Range High School, Harlowton Elementary School, Harlowton High School, Ayers Elementary, Roy K-12 Schools, Winifred K-12 Schools, Moore Elementary, Moore High School, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson k-12 Schools, Judith Gap Elementary, Judith Gap High School, Stanford K-12 Schools and the Central Montana Learning Resource Center Cooperative to provide technology services to each participating district.

LEWISTOWN SCHOOL DISTRICT NO. 1

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

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any school district and other public entity under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

Fergus High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in the interlocal agreement fund 82 of the Fergus High School. During fiscal year ended June 30, 2014 Fergus High School received \$106,832 in charges for annual technical support fees.

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The Lewistown School District No. 1 is a member of the Central Montana Learning Resource Center Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Lewistown School District No. 1, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

The Cooperative leases its office space from Lewistown School District for \$7,000 per year. This is an operating lease that is renewed on a yearly basis. The Lewistown School District is a member of the Cooperative.

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF FUNDING PROGRESS  
Other Post-Employment Benefits Other Than Pensions (OPEB)  
Fiscal Year-Ended June 30, 2014

<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a / b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a) / c]</u>
July, 1, 2012	\$ -	\$ 4,196,710	\$ 4,196,710	0%	\$ 7,517,359	56%

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





Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	General (Elem)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,588,513	\$ 1,588,513	\$ 1,577,471	\$ -	\$ -	\$ -
Interest	5,236	5,236	5,153	-	-	1,032
Other	210	210	-	-	-	-
State	4,085,122	4,085,122	4,085,122	21,745	21,745	21,745
Total Revenues	5,679,081	5,679,081	5,667,746	21,745	21,745	22,777
EXPENDITURES:						
Current						
Instructional Services			3,626,857			-
Support Services			136,590			-
Educational Media Services			215,359			-
General Administrative Services			778,577			-
Operation & Maintenance Services			685,602			-
Transportation Services			12,373			-
School Food Services			107,077			-
Extracurricular			54,925			-
Capital Outlay			6,365			-
Total Expenditures	5,679,081	5,679,081	5,623,724	157,523	157,523	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	44,022	(135,778)	(135,778)	22,777
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(55,357)			-
Total Other financial Sources/Uses	-	-	(55,357)	-	-	-
NET CHANGES IN FUND BALANCES	-	-	(11,335)	(135,778)	(135,778)	22,777
FUND BALANCE:						
Beginning of the Year			474,997			135,778
End of the Year			\$ 463,662			\$ 158,555

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

Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

	General (HS)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,031,948	\$ 1,031,948	\$ 1,017,829	\$ -	\$ -	\$ -
Interest	2,960	2,960	2,934	500	500	900
Other	118	118	24	-	-	800
State	2,104,309	2,104,309	2,104,309	-	-	-
Total Revenues	3,139,335	3,139,335	3,125,096	500	500	1,700
EXPENDITURES:						
Current						
Instructional Services			1,456,020			-
Support Services			135,362			-
Educational Media Services			94,965			-
General Administrative Services			516,665			-
Operation & Maintenance Services			563,368			-
Transportation Services			44,313			-
School Food Services			194			-
Extracurricular			182,626			-
Capital Outlay			-			-
Total Expenditures	3,139,335	3,139,335	2,993,513	152,102	152,102	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	131,583	(151,602)	(151,602)	1,700
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(145,822)			-
Total Other financial Sources/Uses	-	-	(145,822)	-	-	-
NET CHANGES IN FUND BALANCES	-	-	(14,239)	(151,602)	(151,602)	1,700
FUND BALANCE:						
Beginning of the Year			328,498			151,602
End of the Year			\$ 314,259			\$ 153,302

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds elementary debt service and high school building reserve are not included in the schedule because they are not special revenue funds.

1. a. 2 Budget Operation:

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

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 2. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Total</u>
	<u>General</u>	<u>General</u>	<u>Flexibility</u>	<u>Flexibility</u>	<u>Metal</u>	<u>Metal</u>	
	<u>Fund(EL)</u>	<u>Fund(HS)</u>	<u>Fund(EL)</u>	<u>Fund(HS)</u>	<u>Mines</u>	<u>Mines</u>	
	<u>Reserve</u>	<u>Reserve</u>			<u>Fund(EL)</u>	<u>Fund(HS)</u>	<u>General</u>
							<u>Fund</u>
REVENUES:							
District Levies	\$ 1,577,471	\$ 1,017,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,595,300
Interest Earnings	5,153	2,934	1,032	900	609	981	11,609
Other	0	24	0	800	0	0	824
State Sources	4,085,122	2,104,309	21,745	0	0	0	6,211,176
Total Revenues	<u>\$ 5,667,746</u>	<u>\$ 3,125,096</u>	<u>\$ 22,777</u>	<u>\$ 1,700</u>	<u>\$ 609</u>	<u>\$ 981</u>	<u>\$ 8,818,909</u>
EXPENDITURES:							
Instructional Services	3,642,640	1,530,228	0	0	0	0	5,172,868
Support Services	136,590	135,362	0	0	0	0	271,952
Educational Media	215,359	94,965	0	0	0	0	310,324
General Administrative	778,577	516,665	0	0	0	0	1,295,242
Operation & Maintenance	685,602	563,368	0	0	0	0	1,248,969
Transportation	12,373	44,313	0	0	0	0	56,686
Extracurricular	54,925	182,626	0	0	0	0	237,551
School Food	107,077	194	0	0	0	0	107,271
Total Current Outlays	5,633,143	3,067,721	0	0	0	0	8,700,864
Capital Outlays	66,663	0	0	0	0	0	66,663
Total Expenditures	<u>\$ 5,699,806</u>	<u>\$ 3,067,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,767,527</u>
Excess (Deficiency) of Revenue							
Over Expenditures	(32,060)	57,375	22,777	1,700	609	981	51,382
Fund Transfer (Out)	(55,356)	(145,822)	0	0	0	0	(201,178)
Net Changes In Fund Balance	(87,416)	(88,447)	22,777	1,700	609	981	(149,796)
FUND BALANCE:							
Beginning of the Year	551,078	402,706	0	0	0	0	953,784
Prior Period Adjustment			135,778	151,602	86,961	165,571	539,912
Ending of the Year	<u>463,662</u>	<u>314,259</u>	<u>158,555</u>	<u>153,302</u>	<u>87,570</u>	<u>166,552</u>	<u>1,343,900</u>

In the reconciliation the general fund, EL and HS flexibility fund, and EL and HS metal mines tax reserve fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The EL and HS flexibility fund and EL and HS metal mines tax reserve fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund and EL and HS flexibility fund are shown because they are reported as major funds and have legally adopted budgets. The EL and HS metal mines tax reserve fund are non-budgeted fund.

## LEWISTOWN SCHOOL DISTRICT NO. 1

## SCHEDULE OF REPORTED ENROLLMENT

Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	98	98	0
Grade 1 - 6	520	520	0
Grade 7 - 8	194	194	0
Total	<u>812</u>	<u>812</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>335</u>	<u>335</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	2	2	0
Less than 719 hours	0	0	0
Total Part-time	<u>2</u>	<u>2</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	99	99	0
Grade 1 - 6	524	524	0
Grade 7 - 8	194	194	0
Total	<u>817</u>	<u>817</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>331</u>	<u>331</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	1	1	0
Less than 719 hours	1	1	0
Total Part-time	<u>2</u>	<u>2</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	100	100	0
Grade 1 - 6	519	519	0
Grade 7 - 8	197	197	0
Total	<u>816</u>	<u>816</u>	<u>0</u>

High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>332</u>	<u>332</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	1	1	0
Less than 539 hours	1	1	0
Less than 719 hours	0	0	0
Total Part-time	<u>2</u>	<u>2</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

## LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST -- STUDENT ACTIVITY FUNDS  
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance 7/1/2013	Revenues	Expenses	Ending Balance 6/30/2014
ANNUAL	\$ 8,858	\$ 8,599	\$ 13,101	\$ 4,355
AP TESTING	1,939	2,004	1,915	2,028
BAND	2,362	1,869	2,904	1,327
EASTERN MT JAZZ FESTIVAL	196	-	183	13
BPA	1,360	13,580	13,400	1,541
CT MT MENTORS	265	-	-	265
CHEERLEADERS	8,468	7,220	6,889	8,799
NHS/CLAWS	158	385	214	329
EAGLE RENAISSANCE	2,783	980	852	2,911
F CLUB	5,071	7,019	11,944	147
FERGUS NEWSPAPER	-	-	-	-
FFA	14,163	30,317	38,779	5,701
FCCLA	5,623	18,738	21,538	2,823
FLY FISHING	221	-	-	221
SPANISH CLUB	1,194	75	-	1,269
HOW CLUB	1,247	9	-	1,256
VICA/SKILLS USA	-	4,259	3,895	364
KEY CLUB	51	2,968	2,310	710
ART CLUB	1,200	885	617	1,467
SCIENCE CLUB	2,032	8,075	6,982	3,125
SKI CLUB	4,047	9,255	8,521	4,781
STUDENT COUNCIL	1,062	4,413	5,457	19
THESPIANS	2,421	0	62	2,359
TROPHY	2,280	0	-	2,281
VOCAL MUSIC	-	956	209	747
DIST. 8 MUSCH FESTIVAL	1,380	9,642	6,829	4,193
WEIGHT CLUB	3,072	0	758	2,314
AP GOVT	1,378	19,940	20,749	569
CAREER FAIR	1,136	3,260	1,859	2,537
CLASS OF 2013	1,486	0	1,486	0
CLASS OF 2014	2,902	(655)	1,861	386
CLASS OF 2015	-	8,894	6,385	2,509
CLASS OF 2016	-	200	-	200
CLASS OF 2017	-	1,115	767	348
SCHOOL SPONSORED X-CURR	25,791	160,894	143,040	43,645
GIRLS SOFTBALL/BOYS CROSS COUNTRY	26,922	25,510	26,679	25,753
GENERAL ACTIVITIES	50,488	15,985	12,091	54,382
LC SERVICE COUNCIL	956	703	615	1,044
BUILDERS CLUB	355	-	214	142
CHEERLEADERS	797	685	965	517
CONSUMER TECH	275	2,806	3,076	4
FACS	527	2,134	2,320	341
BC, SC STORE	677	6,202	4,941	1,937
MUSIC	2,416	21	15	2,422
PHOTO CLUB	5,411	5,388	6,550	4,248
H E L P S	-	-	-	-
SERVICE LEARNING	569	-	-	569
SKI CLUB	1,272	10,666	11,433	505
STUDENT COUNCIL	628	567	732	464
NEWS	170	-	-	170
GIS CLUB	1,293	-	18	1,275
COMPUTER SERV LEARNING	129	-	-	129
FIELD TRIP SKI DAY	175	719	36	857
ROBOTICS CLUB	-	1,500	\$762	\$738
Total	\$ 197,205	\$ 397,785	\$ 393,954	\$ 201,035

Lewistown School District No. 1  
 Fergus County  
 Lewistown, Montana 59457

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	\$ 34,032	\$ 34,032
National School Lunch Program (fn1)	10.555	N/A	\$ 254,580	254,580
Team Nutrition Grants	10.574	N/A	\$ 809	809
Total U.S. Department of Agriculture				<u>\$ 289,421</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH PRICKLY CENTRAL MONTANA LEARNING RESOURCE CENTER:				
Special Education Grants to States	84.027	N/A	\$ 56,096	\$ 56,096
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Title I Grants to Local Education Agencies	84.010		\$ 403,905	403,905
Adult Education - Basic Grants to States	84.002		\$ 25,545	25,545
Career and Technical Education - Basic Grants to States	84.048		\$ 19,383	<u>19,383</u>
Total U.S. Department of Education				<u>\$ 504,929</u>
<b>Total Federal Financial Assistance</b>				<u><b>\$ 794,350</b></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lewistown School District No. 1 under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Lewistown School District No. 1, it is not intended to and does not present the financial position, changes in net position or cash flows of Lewistown School District No. 1.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements.

NOTE 3. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the district assumes first in first out for program money.

Fn2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements.

N/A – Not applicable/ available.



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

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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  
Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lewistown School District No. 1's basic financial statements and have issued our report thereon dated January 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lewistown School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lewistown School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
January 26, 2015

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

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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  
Lewistown School District No. 1  
Fergus County  
Lewistown, Montana 59457

**Report on Compliance for Each Major Federal Program**

We have audited Lewistown School District No. 1's 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 Lewistown School District No. 1's major federal programs for the year ended June 30, 2014. Lewistown School District No. 1'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, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Lewistown School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 Lewistown School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lewistown School District No. 1's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Lewistown School District No. 1's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Lewistown School District No. 1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lewistown School District No. 1'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, we do not express an opinion on the effectiveness of Lewistown School District No. 1'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, non-compliance 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

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.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
January 26, 2015

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 1's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 1.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 1's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Lewistown School District No. 1 for the year ended June 30, 2014 was Child Nutrition Cluster - CFDA number 10.555.
8. The threshold used to distinguish between Type A and type B programs was \$300,000. Lewistown School District No. 1 has Title I Part A - CFDA number 84.010 as a type A programs.
9. This school district does qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

There were no findings or recommendations.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133.

