

**GLASGOW PUBLIC SCHOOLS
SCHOOL DISTRICT 1A
VALLEY COUNTY
GLASGOW, MONTANA**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

OPI Entity Number 53-0926

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
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GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
JUNE 30, 2014

BOARD OF TRUSTEES

Alison Molvig.....	Chairperson
Mona Amundson.....	Trustee
Suzanne Billingsley.....	Trustee
John Daggett.....	Trustee
Nickolas Dirkes	Trustee
Kelly Doornek.....	Clerk of Board

OFFICIALS

Bob Connors.....	District Superintendent
Lynne Nyquist	County Superintendent
Nick Murnion	County Attorney



CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Trustees
Glasgow Public Schools
Valley County
Glasgow, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glasgow Public Schools, Valley County, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Glasgow Public Schools, Valley County, Montana'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 Glasgow Public Schools, Valley County, Montana as of June 30, 2014, and the respective changes in

financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 4-8, 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 Glasgow Public Schools, Valley County, Montana's basic financial statements. The supplementary information on pages 32 and 33 is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards, on page 34, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 supplementary information 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 March 7, 2015 on our consideration of Glasgow Public Schools, Valley County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Glasgow Public Schools, Valley County, Montana's internal control over financial reporting and compliance.



CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

March 7, 2015

**GLASGOW SCHOOL DISTRICT 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR JULY 1, 2013 – JUNE 30, 2014**

The Superintendent and Business Manager/Clerk of the Glasgow School District 1A has provided the 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 this report is required by Statement No. 34 of the Governmental Accounting Standard Board (GASB). Components and purposes of the report are explained below.

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 inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The **Statement of Net Position** (page 9) shows the “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. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. 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 for the following year.
- B. The **Statement of Activities** (page 10) shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

The Statements of Net Position and the Statement of Activities include governmental activities and school functions including instruction, student services, administration, etc. and are supported by property taxes and federal & state revenues. These statements report the net position and changes in them and can be used to measure the financial health, or financial position. Other factors, however, may be considered.

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 Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific 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.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds including the major funds including the general, debt service, and the building funds as well as other less significant governmental funds that have been combined. All of 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 bases. 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: the student extra-curricular activities fund, the Alumni Park Brick Memorial Trust fund, the cafeteria/flex plan fund, and the retirees' insurance fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 15) because the District cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The budgetary comparison schedules on page 30 show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The District's revenues & expenditures total original and final budgets were identical for the year ended June 30, 2014. Excess revenues over expenditures totaled \$18,382. Budget to GAAP differences were noted because of encumbrances for equipment and supplies ordered but not received being reported in the year the orders are placed for budgetary purposes, but are reported in the year they are received for GAAP purposes.

THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government unit's financial position. As noted in the Statement of Net Position on page 9 of this report and analyzed below, assets exceeded liabilities by \$5,512,206 for the year ended June 30, 2014 as compared to \$5,050,717 for the prior year, which is an increase of \$461,489, or 9%. It can be noted that the current \$17,000,000 building project has drastically affected the District's assets and liabilities the past two fiscal years, but mostly offset each other.

Net Position – Governmental Activities				
	FY 2013	FY 2014	\$ Change	% Change
Current and other assets	12,614,669	17,865,260	5,250,591	42%
Capital assets	3,829,828	7,120,434	3,290,606	86%
Total assets	16,444,497	24,985,694	8,541,197	52%
Current liabilities	942,157	2,648,339	1,706,182	181%
Non-current liabilities	10,426,736	16,825,149	6,398,413	61%
Total liabilities	11,368,893	19,473,488	8,104,595	71%
Net Position				
Invested in capital assets, net of related debt	3,670,695	6,943,704	3,273,009	89%
Restricted for school operations & debt service	862,131	1,295,980	433,849	50%
Unrestricted	517,891	(2,727,478)	(3,245,369)	(627%)
Total net position	5,050,717	5,512,206	461,489	9%

As noted on page 10 for fiscal year 2014, program revenues provided 14% and general revenues provided 86% of total revenues. This was a 3% shift as compared to fiscal year 2013 revenues. Revenues were up by \$1,139,102 (14%), mostly due to an increase in general revenues in the form of increased district levies to fund the new bond payments and resulting in a net increase of assets of \$461,489. It can be noted that this is a significant change from the FY 2013 net decrease of \$113,204 and can be attributed to the building project.

Changes in Net Position–Governmental Activities		
	FY 2013	FY 2014
REVENUES		
Program revenues:		
Charges for services	244,666	240,296
Operating grants & contributions	1,118,952	1,113,867
Capital grants & contributions	0	0
Total program revenues	1,363,618	1,354,163
as % of total revenues	17%	14%
General revenues:		
District levies	2,280,388	3,112,801
Penalties & interest on taxes	19,644	11,352
Tax Title and Property Sales	3,766	758
County retirement distribution	703,696	770,000
Federal & state aide not restricted	3,805,795	4,080,314
Earnings on investments	6,402	18,695
Miscellaneous	46,248	20,576
Total general revenues	6,865,939	8,014,496
as % of total revenues	83%	86%
Total of all revenue	8,229,557	9,368,659
EXPENSES		
Instruction:		
Regular Programs	3,477,359	3,467,476
Special Programs	553,129	583,480
Vocational Programs	190,334	191,220
Supporting services:		
Student	253,674	283,644
Instructional staff	37,094	34,289
Library	220,313	222,404
Continued		

Administration & business	678,692	682,986
Operation & maintenance	840,730	835,241
Transportation	422,776	439,147
Retirement	712,660	874,644
School food services	436,317	463,517
Facilities acquisition	115,600	102,907
Extracurricular	241,867	264,721
Depreciation – unallocated	157,650	197,600
Interest on long-term liabilities	4,566	263,894
Total Expenses	8,342,761	8,907,170
Increase (decrease) in net position	(113,204)	461,489

For fiscal year 2014, district expenditures supported by general revenues were \$8,014,496 or 86% of total expenditures. Conversely, district expenditures supported by program revenues were \$1,354,163 or 14% of total expenditures. There was an insignificant shift of 1% from the 2013 fiscal year.

Spending levels compared to resource levels	FY 2013		FY 2014	
Expenditures supported with general revenues	6,979,143	84%	7,553,007	85%
Expenditures supported with program revenues	1,363,618	16%	1,354,163	15%
Total expenditures related to governmental activities	8,342,761	100%	8,907,170	100%

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of the school district, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the district's financial situation in the future. Historical information is shown to illustrate trends, problems, and achievement of the district's goals.

Purpose

The core purpose of the District, as stated in the strategic plan, is to provide effective instruction in all areas taught, to develop the potential of all students, to build skills for lifelong learning, and to develop a feeling of self-worth and confidence that will allow students to cope with their ever-changing world environment. This is accomplished by a central idea of instruction supported by various supporting activities, transportation, extra-curricular activities, and special programs.

Resources & Costs

As stated above, these purposes are supported 85% by general revenues and 15% by program revenues. Instruction programs comprise 48% of all expenditures of the District, while supporting services are 28%, retirement 10%, food services 5%, facilities acquisition 1%, extracurricular activities 3%, interest on long-term liabilities 3%, and 2% are unallocated depreciation expenses.

Capital Assets & Debt of the District

As of June 30, 2014, the District had \$14,748,851 invested in capital assets, including construction in progress, land & improvements, buildings & improvements, and machinery & equipment. This represents an increase prior to depreciation of

\$3,633,752, a significant increase due to the construction in progress. Total depreciation expense for the year was \$390,046. The following schedule presents capital asset balances net of depreciation for the year ended June 30, 2014.

Net capital assets	
Construction in Progress	3,567,920
Land	80,069
Land & Improvement	357,043
Buildings & Improvements	2,289,311
Machinery & Equipment	826,091
Total	7,120,434

As of June 30, 2014, the long-term liabilities of the District included two notes payable, a capital lease, bonds payable, and compensated absences payable. Both notes payable are with a local bank and include a loan for a skid steer and another for Glasgow High School HVAC system upgrades for a total of \$139,048. The capital lease is with Canon Financial for three copy machines and is for \$43,250. Compensated absences payable totals \$140,358 and represents vacation and sick leave earned by non-teaching employees that is payable upon termination. New this year is the 2014 bond payable in the amount of \$7,150,000, which is the second bond for the nearly \$17,000,000 construction project that was started at the end of FY 2013 to build a new K-5 school and make renovations to the other two school buildings. The balance of the 2013 bond payable is \$9,280,000 bringing the total bond obligation including interest to \$21,531,543.

Future of the District

It is known that the 2014-2015 General Fund budget will be \$6,115,229, an increase of \$218,961, which will help to fund the purchase of textbooks and allow for staff wage increases. The increase is attributed to an increase of Average Number Belonging (ANB) from 844 for fiscal year 2014 to 859 for fiscal year 2015 and increased State fund levels. District ANB trends have been quite stable for the past ten years, with slight increases seen and it is hoped this trend will continue.

Construction on the new building project has progressed into the new fiscal year with additions to the East Side School and GHS remodeling nearing completion and construction of the new school well under way. Scheduled completion of the enormous building project is August 2015.

CONTACT FOR FURTHER INFORMATION

This financial report is designed to provide the District's constituents with a general overview of its finances and to demonstrate accountability for the resources it receives. Questions or additional information can be obtained by contacting Bob Connors, Superintendent (rjc.montana@gmail.com) or Kelly Doornek, Business Manager/Clerk (doornek@mail.glasgow.k12.mt.us) at Glasgow School District 1A, P.O. Box 28, Glasgow, MT 59230.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments (Note C)	\$ 17,527,301
Taxes Receivable	142,644
Intergovernmental Receivable (Note G)	12,641
Accounts Receivable	1,199
Inventories	72,786
Prepaid Expenses	108,689
Total Current Assets	<u>17,865,260</u>
Noncurrent Assets	
Capital Assets (Note D)	
Land	80,069
Capital Assets (Net of Accumulated Depreciation, where applicable)	<u>7,040,365</u>
Total Noncurrent Assets	<u>7,120,434</u>
Total Assets	<u>24,985,694</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	951,633
Accrued Salaries and Benefits	746,864
Advance from Grantor	39,636
Current Portion of Compensated Absences (Note F)	71,036
Current Portion of Lease Payable (Note F)	8,270
Current Portion of Notes Payable (Note F)	20,900
Current Portion of Bonds Payable (Note F)	810,000
Total Current Liabilities	<u>2,648,339</u>
Noncurrent Liabilities	
Compensated Absences (Note F)	69,322
Lease Payable (Note F)	29,412
Notes Payable (Note F)	118,148
Bonds Payable (Note F)	15,620,000
Premium on Bonds Payable (Note F)	654,935
Other Post Employment Benefits (Note H)	333,332
Total Noncurrent Liabilities	<u>16,825,149</u>
Total Liabilities	<u>19,473,488</u>
 NET POSITION	
Net Investment in Capital Assets	6,943,704
Restricted For:	
Debt Service	396,829
School Operations	899,151
Unrestricted	(2,727,478)
Total Net Position	<u>\$ 5,512,206</u>

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction:					
Regular Programs	\$ 3,467,476	\$ 7,020	\$ 337,554	\$ -	\$ (3,122,902)
Special Programs	583,480	-	270,823	-	(312,657)
Vocational Programs	191,220	-	-	-	(191,220)
Supporting services:					
Student	283,644	-	103,250	-	(180,394)
Instructional staff	34,289	-	28,797	-	(5,492)
Library	222,404	-	-	-	(222,404)
District administration	356,385	-	-	-	(356,385)
School administration	203,903	-	140	-	(203,763)
Business	122,698	-	-	-	(122,698)
Operation and maintenance	835,241	750	-	-	(834,491)
Transportation	439,147	-	130,826	-	(308,321)
Retirement	874,644	-	-	-	(874,644)
School food services	463,517	232,526	242,477	-	11,486
Facilities acquisition	102,907	-	-	-	(102,907)
Extracurricular	264,721	-	-	-	(264,721)
Depreciation - Unallocated*	197,600	-	-	-	(197,600)
Interest on long-term liabilities	263,894	-	-	-	(263,894)
Total school district	<u>\$ 8,907,170</u>	<u>\$ 240,296</u>	<u>\$ 1,113,867</u>	<u>\$ -</u>	<u>(7,553,007)</u>

General revenues:

District Levies	3,112,801
Penalties and Interest on Taxes	11,352
Tax Title and Property Sales	758
County Retirement Distribution	770,000
Federal and state aid not restricted to specific purposes	4,080,314
Earnings on investments	18,695
Miscellaneous	20,576
Total general revenues	<u>8,014,496</u>
Change in Net Position	461,489
Net Position - beginning	<u>5,050,717</u>
Net Position - ending	<u>\$ 5,512,206</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash on Hand	\$ 75	\$ -	\$ -	\$ -	\$ 75
Petty Cash	650	-	-	1,138	1,788
Cash in County Treasury (Note C)	1,395,606	397,129	14,648,933	1,083,770	17,525,438
Taxes Receivable:					
Real and Personal	76,722	19,486	-	17,218	113,426
Protested	21,196	2,868	-	5,154	29,218
Accounts Receivable	699	-	500	-	1,199
Inventory	63,041	-	-	9,745	72,786
Prepaid Expenses	84,137	-	-	24,552	108,689
Due From Other Governments (Note G)	1,020	-	-	11,621	12,641
Total Assets	<u>\$ 1,643,146</u>	<u>\$ 419,483</u>	<u>\$ 14,649,433</u>	<u>\$ 1,153,198</u>	<u>\$ 17,865,260</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	\$ 83,368	\$ 300	\$ 856,307	\$ 11,658	\$ 951,633
Accrued Salaries and Benefits	600,780	-	-	146,084	746,864
Advance from Grantor	-	-	-	39,636	39,636
Total Liabilities	<u>684,148</u>	<u>300</u>	<u>856,307</u>	<u>197,378</u>	<u>1,738,133</u>
Deferred Inflow of Resources					
Unavailable Revenue	97,918	22,354	-	22,372	142,644
Total Deferred Inflow of Resources	<u>97,918</u>	<u>22,354</u>	<u>-</u>	<u>22,372</u>	<u>142,644</u>
Fund Equity					
Fund Balance					
Nonspendable - Inventories	63,041	-	-	9,745	72,786
Nonspendable - Prepaid Items	84,137	-	-	24,552	108,689
Restricted for School Operations	-	-	13,793,126	899,151	14,692,277
Restricted for Debt Service	-	396,829	-	-	396,829
Assigned for Working Capital	124,968	-	-	-	124,968
Unassigned	588,934	-	-	-	588,934
Total Fund Equity	<u>861,080</u>	<u>396,829</u>	<u>13,793,126</u>	<u>933,448</u>	<u>15,984,483</u>
Total Liabilities and Fund Equity	<u>\$ 1,643,146</u>	<u>\$ 419,483</u>	<u>\$ 14,649,433</u>	<u>\$ 1,153,198</u>	<u>\$ 17,865,260</u>

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

Total Fund equity as reported in the governmental funds statement	\$ 15,984,483
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,748,851, and the accumulated depreciation is \$7,628,417.	7,120,434
Less Liabilities not reported in the governmental funds statement	
Compensated Absences	(140,358)
Bonds Payable	(16,430,000)
Premium on Bonds	(654,935)
Notes Payable	(139,048)
Lease Payable	(37,682)
Other Post-Employment Health Benefits	(333,332)
Unavailable Revenue recognized as revenue in the government-wide statements	
Property Taxes	142,644
Net Position	\$ 5,512,206

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
District Levy	\$1,838,172	\$ 821,777	\$ -	\$ 433,585	\$ 3,093,534
Tax Title and Property Sale	614	-	-	144	758
Penalty/Interest on Delinquent Taxes	8,791	377	-	2,184	11,352
Interest Earnings	1,342	297	15,810	1,246	18,695
Miscellaneous	2,892	731	5,111	50,085	58,819
County Sources	-	-	-	835,413	835,413
State Sources	4,036,116	215,915	-	114,177	4,366,208
Federal Sources	2,065	948	-	729,074	732,087
Lunch Sales	-	-	-	232,526	232,526
Total Revenues	<u>5,889,992</u>	<u>1,040,045</u>	<u>20,921</u>	<u>2,398,434</u>	<u>9,349,392</u>
Expenditures					
Current:					
Instruction:					
Regular Programs	3,069,582	-	-	338,115	3,407,697
Special Programs	478,046	-	-	90,289	568,335
Vocational Programs	186,734	-	-	-	186,734
Supporting services:					
Student	174,752	-	-	103,250	278,002
Instructional staff	5,343	-	-	28,797	34,140
Library	151,600	-	-	67,864	219,464
District administration	351,330	-	-	-	351,330
School administration	188,451	-	-	140	188,591
Business	116,785	-	-	1,216	118,001
Operation and maintenance	791,167	-	-	10,423	801,590
Transportation	-	-	-	321,227	321,227
Retirement	-	-	-	874,644	874,644
School food services	-	-	-	451,236	451,236
Facilities acquisition	-	-	102,907	-	102,907
Extracurricular	242,226	-	-	-	242,226
Capital outlay	37,682	-	3,543,980	98,990	3,680,652
Debt Service:					
Principal	20,085	370,000	-	-	390,085
Interest	6,560	273,216	-	-	279,776
Total Expenditures	<u>5,820,343</u>	<u>643,216</u>	<u>3,646,887</u>	<u>2,386,191</u>	<u>12,496,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>69,649</u>	<u>396,829</u>	<u>(3,625,966)</u>	<u>12,243</u>	<u>(3,147,245)</u>
Other Financing Sources					
Proceeds from Long-Term Liabilities	37,682	-	7,475,666	-	7,513,348
Total Other Financing Sources	<u>37,682</u>	<u>-</u>	<u>7,475,666</u>	<u>-</u>	<u>7,513,348</u>
Excess of Revenues and Other Sources Over Expenditures	<u>107,331</u>	<u>396,829</u>	<u>3,849,700</u>	<u>12,243</u>	<u>4,366,103</u>
Fund Balance					
Beginning of Year	750,566	-	9,943,426	922,647	11,616,639
Change in Inventory	3,183	-	-	(1,442)	1,741
Adjusted Fund Balance					
Beginning of Year	753,749	-	9,943,426	921,205	11,618,380
End of Year	<u>\$ 861,080</u>	<u>\$ 396,829</u>	<u>\$ 13,793,126</u>	<u>\$ 933,448</u>	<u>\$15,984,483</u>

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balances as reported in the governmental funds statement \$ 4,366,103

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$3,680,652) exceeds depreciation expense (\$390,046) in the period. 3,290,606

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are unavailable in the governmental funds. Unavailable tax revenues increased by this amount this year. 19,267

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, these expenditures are measured by the amount of financial resources used. This year, vacation and sick leave earned exceeded the amount used. (2,148)

In governmental funds, inventories are recorded as expenditures at the time of purchase. However, in the statement of activities, the expenditure is measured by the inventories used, and is therefore adjusted by a change to the balance of inventory. 1,741

In governmental funds, proceeds from long-term liabilities are shown as an other financing source and principal paid is shown as an expense. However, this is shown as long-term liabilities in the statement of net position. (7,123,263)

In governmental funds, the amortization of bond premium is not recognized. This amortization is recorded as a decrease to interest expense in the statement of activities. 15,882

In governmental funds, other post-employment health benefits are reported at the time of payment. However, in the statement of activities, these expenditures are recorded as they are accrued. The liability for other post-employment health benefits increased by this amount this year. (106,699)

Change in net position on the statement of activities \$ 461,489

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 STATEMENT OF FIDUCIARY NET POSITION AND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FIDUCIARY NET POSITION	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash in Bank (Note C)	\$ 209,238	\$ 30,295
Cash in County Treasury (Note C)	6,954	-
Total Assets	<u>216,192</u>	<u>30,295</u>
LIABILITIES		
Accrued Salaries and Benefits	-	30,295
Total Liabilities	<u>-</u>	<u>30,295</u>
NET POSITION		
Held in Trust	<u>\$ 216,192</u>	<u>\$ -</u>

CHANGES IN FIDUCIARY NET POSITION

ADDITIONS	
Revenue from Student Activities	\$ 331,447
Investment Earnings	10
Total Additions	<u>331,457</u>
DEDUCTIONS	
Expenses of Student Activities	<u>294,538</u>
Change in Net Position	36,919
Net Position, Beginning of Year	<u>179,273</u>
Net Position, End of Year	<u>\$ 216,192</u>

See notes to the financial statements.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Glasgow Public Schools, Valley County, Montana, delivers education services at all levels below the college and university level. The School is managed by a Board of Trustees, elected in a district-wide election, and by a central administration appointed by and responsible to the Board. Effective July 1, 1994, Glasgow Public Schools is a K-12 School District. A K-12 School District is a high school district which has an elementary district attached and provides educational services for both elementary and high school programs.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present only Glasgow Public Schools, as they have no component units that would be included in the financial data of the School.

The county government of Valley County provides substantial services to the School. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. County Commissioners have a legal right to review and approve the budget adopted by the School. Yet, the School is not considered to be a component of the County. Management policies and day-to-day control of the School is the sole responsibility of the Board of Trustees. The County does not significantly influence the operations of the school; thus, the School is being treated as a separate and independent unit of local government.

BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

GOVERNMENT-WIDE STATEMENTS - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the student activities fund, which accounts for the extracurricular activities of the School's students, the Miscellaneous Trust Fund, which accounts for donated funds used to purchase memorials at a park belonging to the school, the flex plan fund which is used to report assets held by the school in a custodial capacity, and the Retirement/COBRA Insurance Fund, which accounts for the receipt and disbursement of premium payments received from former district employees elected to continue to participate in the district's health insurance program. These are reported as private purpose trust and agency funds respectively in the fund financial statements section. Eliminations have been made to minimize the double counting of internal activities of the overall government.

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

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (Continued)
GOVERNMENT-WIDE STATEMENTS (Continued)

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

FUND FINANCIAL STATEMENTS - These statements provide information about the school's funds, including a separate statement for the school's fiduciary funds (the student activity fund, miscellaneous trust fund, and flex plan fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as non-major funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days after year-end are recognized as revenue. Most property taxes receivable are delinquent at June 30 and amounts collected within 60 days after year-end are not significant. Unavailable revenues are recorded in the governmental funds for these receivables.

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

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

GASB Statement No. 34 requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly the School reports the following major governmental funds:

General Fund - the School's primary operating fund which accounts for all financial resources of the School except those required to be accounted for in other funds.

Debt Service Fund - accounts for the payment of principal and interest on outstanding bonds.

Building Fund - accounts for the proceeds of bonds sold for building, enlarging or remodeling school buildings.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants Payable: The School makes expenditures by means of warrants. These warrants are orders to the County Treasurer to pay a specified sum to the person named. Outstanding warrants are recorded as disbursements in individual funds and cash balances in individual funds are reduced for outstanding warrants.

Capital Assets: Capital assets which includes plant, property, equipment and infrastructure assets, with a cost of \$5,000 or more are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure assets are also capitalized. Depreciation is computed using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

Buildings	30-50 Years
Improvements Other Than Buildings	10-25 Years
Machinery and Equipment	5-20 Years

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances are also used to record obligations for grant funding. Encumbrances outstanding at year end are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at June 30, 2014 were \$124,968 in the General Fund and \$221,535 in the nonmajor funds.

Inventories: Inventories are valued at cost. The costs of inventories in governmental funds are recorded as expenditures at the time of purchase.

Compensated Absences: Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the financial statements. The liability for vacation pay is recorded as a current liability payable within one year in the government wide financial statements. The liability for unused sick leave is recorded as a non-current liability.

Fund Equity: In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in the following classifications which reflect the extent to which the school is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

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

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B - PROPERTY TAX

All property taxes are collected by the Valley County, Montana, Treasurer. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th and May 31st, following the levy date.

The tax levies for the School for the year ended June 30, 2014 were as follows:

	<u>Mill Levy</u>
General Fund	151.45
Transportation Fund	11.90
Bus Depreciation Fund	13.42
Tuition Fund	0.25
Adult Education Fund	0.34
Technology Fund	7.33
Debt Service Fund	69.56
Building Reserve Fund	2.44
Total	<u><u>256.69</u></u>

The taxable valuation upon which the above levies were based was \$12,281,155.

NOTE C - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 17,527,301
Fiduciary Funds	
Cash in Bank	239,533
Cash in County Treasury	6,954
Total Cash and Investments	<u><u>\$ 17,773,788</u></u>

Cash and investments consist of the following as of June 30, 2014:

Cash on Hand	\$ 75
Cash in Banks:	
Demand Deposit with Financial Institution	594,467
Time and Saving Deposits in Financial Institutions	17,179,246
Total	<u><u>\$ 17,773,788</u></u>

Cash and investments, except those of the Extracurricular Fund and the Petty Cash fund, are held by the County Treasurer. The Board of Trustees may invest money of the School in direct obligations of the United States Government, in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state or in a repurchase agreement. A School may also invest money under the state unified investment program.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Valley County Commissioners require 100% security on money held in financial institutions by the Treasurer of Valley County. The County government is considered to have \$250,000 FDIC insurance per financial institution per public unit. Therefore, the School is considered to have \$250,000 FDIC insurance.

As of June 30, 2014, the school's bank balance was exposed to custodial credit risk as follows:

Insured	\$ 461,026
Uninsured and collateral held by the pledging financial institution's agent but in the name of the Treasurer of Valley County	17,312,687
Total	<u>\$17,773,713</u>

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Land	\$ 80,069	\$ -	\$ -	\$ 80,069
Construction in Progress	23,940	3,543,980	-	3,567,920
Land Improvements	938,541	-	-	938,541
Buildings and Improvements	8,091,027	-	-	8,091,027
Machinery and Equipment	1,981,522	136,672	46,900	2,071,294
Total Capital Assets at historical cost	<u>11,115,099</u>	<u>3,680,652</u>	<u>46,900</u>	<u>14,748,851</u>
Less Accumulated Depreciation for:				
Land Improvements	547,097	34,401	-	581,498
Buildings and Improvements	5,603,837	197,879	-	5,801,716
Machinery and Equipment	1,134,337	157,766	46,900	1,245,203
Total Accumulated Depreciation	<u>7,285,271</u>	<u>390,046</u>	<u>46,900</u>	<u>7,628,417</u>
Capital Assets, Net	<u>\$ 3,829,828</u>	<u>\$ 3,290,606</u>	<u>\$ -</u>	<u>\$ 7,120,434</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 15,703
District administration	764
School Administration	5,506
Business	2,121
Operation and maintenance	28,985
Transportation	119,034
School food services	2,013
Extracurricular	18,320
Unallocated	197,600
Total depreciation expense	<u>\$ 390,046</u>

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E - RETIREMENT PLANS

The School participates in two state-wide, cost-sharing, multiple-employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teacher's Retirement System (TRS) covers certified teaching employees, including principals and superintendents. The Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

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

Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154

Contribution rates for both plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
TRS	8.47%	8.15%	16.62%
PERS	7.90%	7.80%	15.70%

For the year ended June 30, 2014, the State of Montana contributed .37% of the employees' payroll for PERS and 2.49% for TRS. These are considered on-behalf payments. The School does not record these contributions in their financial statements.

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 both the School and its employees (including voluntary contributions by employees as permitted by State law) were as follows:

	2012	2013	2014
TRS	\$ 564,819	\$ 600,005	\$ 715,366
PERS	114,887	116,154	136,217
Total	\$ 679,706	\$ 716,159	\$ 851,583

NOTE F - LONG-TERM LIABILITIES

Notes Payable

Notes payable consists of the following:

	Current Portion	Long-Term Portion	Total
Skid steer Loan - First Community Bank	\$ 4,734	\$ 27,453	\$ 32,187
HVAC Loan - First Community Bank	16,166	90,695	106,861
Total	\$ 20,900	\$ 118,148	\$ 139,048

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

The skid steer loan was dated October 26, 2011, for a total of \$41,212 for the purchase of a skid steer costing \$47,500. The loan bears interest at the rate of 5%, calls for annual payments of \$6,344, and matures on September 15, 2019.

The HVAC loan was dated May 31, 2012, for a total of \$140,000 for the purchase of a HVAC system at the Glasgow High School. The loan bears interest at the rate of 3.87%, calls for annual payments of \$20,301, and matures on December 1, 2019.

The annual maturities of the notes payable are as follows:

	Skid steer Loan	HVAC Loan	Interest	Total
2015	\$ 4,734	\$ 16,166	\$ 5,746	\$ 26,646
2016	4,971	16,791	4,883	26,645
2017	5,217	17,433	3,995	26,645
2018	5,480	18,116	3,049	26,645
2019	5,754	18,817	2,074	26,645
2020	6,031	19,538	1,058	26,627
Total	<u>\$ 32,187</u>	<u>\$ 106,861</u>	<u>\$ 20,805</u>	<u>\$ 159,853</u>

The following is a summary of the notes payable transactions of Glasgow Public Schools for the year ended June 30, 2014:

	Balance 7-1-13	New Debt	Retired Debt	Balance 6-30-14
Skid steer Loan	\$ 36,703	\$ -	\$ 4,516	\$ 32,187
HVAC Loan	122,430	-	15,569	106,861
Total	<u>\$ 159,133</u>	<u>\$ -</u>	<u>\$ 20,085</u>	<u>\$ 139,048</u>

Capital Lease Commitments

The School is obligated under a lease/purchase agreement for three Canon copiers. The original lease amount was for \$37,682. This amount has been added to the School's capital assets. The following is a schedule of minimum lease payments under the lease, together with the net present value of the minimum lease payments as of June 30, 2014:

Year Ending June 30	Lease Payments
2015	\$ 10,812
2016	10,812
2017	10,812
2018	10,814
Total	43,250
Less amount representing interest	(5,568)
Present Value Minimum Lease Payments	<u>\$ 37,682</u>

No amount of principal was paid during the year ended June 30, 2014.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM LIABILITIES (Continued)

Bonds Payable

General obligation bonds are payable from amounts available in the Debt Service Fund and from revenues from future years' debt service property tax levies, which are restricted by state law to the payment of general obligation bond principal and interest. The following is a summary of bond transactions of Glasgow Public Schools for the year ended June 30, 2014.

	Balance 7-1-13	New Debt	Retired Debt	Balance 6-30-14
General Obligation Bonds				
2013 Issuance	\$ 9,650,000	\$ -	\$ 370,000	\$ 9,280,000
2014 Issuance	-	7,150,000	-	7,150,000
Premium on Bonds Payable	345,151	325,666	15,882	654,935
Total	<u>\$ 9,995,151</u>	<u>\$ 7,475,666</u>	<u>\$ 385,882</u>	<u>\$ 17,084,935</u>

Bonds payable at June 30, 2014 are comprised of the following individual School Building Bond issues:

	Date of Issue	Term	Interest Rate	Authorized and Issued	Retired	Outstanding 06/30/14
2013 Issuance						
	5-29-13	20 years	1.25% - 4%	\$ 9,650,000	\$ 370,000	\$ 9,280,000
2014 Issuance						
	6-26-14	20 years	2% - 4.5%	\$ 7,150,000	\$ -	\$ 7,150,000

The annual requirements to amortize the 2013 issue are as follows:

Year	Principal Amount	Interest	Amortized Bond Premium	Net Interest	Total Debt Service
2015	\$ 400,000	\$ 243,248	\$ 26,572	\$ 216,676	\$ 616,676
2016	410,000	235,238	25,743	209,495	619,495
2017	415,000	227,037	24,872	202,165	617,165
2018	425,000	218,738	23,984	194,754	619,754
2019	430,000	213,425	23,252	190,173	620,173
2020-2024	2,265,000	951,350	104,592	846,758	3,111,758
2025-2029	2,575,000	640,250	72,930	567,320	3,142,320
2030-2034	2,360,000	205,350	27,324	178,026	2,538,026
Total	<u>\$ 9,280,000</u>	<u>\$ 2,934,636</u>	<u>\$ 329,269</u>	<u>\$ 2,605,367</u>	<u>\$ 11,885,367</u>

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM LIABILITIES (Continued)
Bonds Payable (Continued)

The annual requirements to amortize the 2014 issue are as follows:

Year	Principal Amount	Interest	Amortized Bond Premium	Net Interest	Total Debt Service
2015	\$ 410,000	\$ 234,481	\$ 13,716	\$ 220,765	\$ 630,765
2016	295,000	223,067	26,217	196,850	491,850
2017	300,000	217,169	25,404	191,765	491,765
2018	310,000	208,169	24,544	183,625	493,625
2019	315,000	201,969	23,667	178,302	493,302
2020-2024	1,685,000	902,494	106,447	796,047	2,481,047
2025-2029	1,970,000	623,894	75,683	548,211	2,518,211
2030-2034	1,865,000	210,600	29,989	180,611	2,045,611
Total	<u>\$ 7,150,000</u>	<u>\$ 2,821,843</u>	<u>\$ 325,667</u>	<u>\$ 2,496,176</u>	<u>\$ 9,646,176</u>

There was \$397,129 in the Debt Service fund at June 30, 2014.

Compensated Absences

	Balance 7-1-13	Increase (Decrease)	Balance 6-30-14
Vacation and Sick Leave	<u>\$ 138,210</u>	<u>\$ 2,148</u>	<u>\$ 140,358</u>

Compensated absences are liquidated out of the same governmental funds used to pay each individual employee's salary.

NOTE G - DUE FROM OTHER GOVERNMENTS

The Due From Other Governments consist of the following:

	Due From Other Governments
General Fund	
Gas and Diesel tax refunds to be received from the State	\$ 1,020
Transportation Fund	
Gas and Diesel tax refunds to be received from the State	1,524
Miscellaneous Programs Fund	
Grant funding to be received	6,305
Traffic Ed Fund	
Funding to be received for the 2013-2014 traffic education program	3,792
Total	<u>\$ 12,641</u>

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE H - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Glasgow Schools reported the "implicit rate subsidy" liability as required by GASB statement No. 45 for the first time in fiscal year 2010. The school provides employees who retire and their spouses and dependents the option to continue to participate in the Schools group health insurance plan. To continue coverage, retirees are required to pay the full cost of the benefits. The school is not required to offer insurance at the same rate as all participants. Furthermore, there are no other legal or contractual agreements requiring the School to offer the same rates to retirees as other participants. Rates can be changed or benefits altered at any time to ensure all plans are fiscally sound.

Plan description - The school provides employee medical, dental and vision insurance through a privately administered purchased plan.

Funding Policy - The school provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. At June 30, 2014, the School had 7 retired participants, spouses, and surviving spouses on their plan, and no employees covered under COBRA insurance coverage. In 2014, retirees contributed \$0 towards the cost of the school's annual premium.

Annual OPEB Cost Obligation - The schools' other post employment benefit (OPEB) cost (expense) is calculated using the alternative measurement method, and is based on the projected unit credit cost method as of June 30, 2014. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

Annual required contribution	\$ 106,620
Interest on net OPEB obligation	9,632
Adjustment to annual required contribution	(9,553)
Annual OPEB cost (expense)	<u>106,699</u>
Contributions made	-
Increase in net OPEB obligation	<u>106,699</u>
Net OPEB obligation beginning of year	226,633
Net OPEB obligation end of year	<u><u>\$ 333,332</u></u>

The school's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 43,164	0.00%	\$ 124,284
2013	102,349	0.00%	226,633
2014	106,699	0.00%	333,332

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE H - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress - As of June 30, 2014, the actuarial accrued liability for benefits was \$782,262, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,192,324, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25%.

Actuarial Methods and Assumptions - Projection of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The following assumptions were made:

For the Public Employees Retirement System, Healthy mortality is assumed to follow the RP2000 Healthy Combined Mortality Table Projected to 2015 using Scale AA.

For the Montana Teachers Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table to 2008 using Scale AA with a set back of three years for males and two years for females.

For the Public Employees Retirement System, Disabled mortality is assumed to follow the RP2000 Healthy Combined Mortality Table with no projections.

For the Montana Teachers Retirement System, Mortality is assumed to follow the RP2000 Disabled Mortality Table projected to 2008 using Scale AA with a set back of three years for males and a set forward three years for females.

Interest and Discount rates used were at 4.25% and the payroll growth inflation rate was 2.5%.

Healthcare cost trend rate (HCCTR) was based on projections which were based on actual renewal rates.

Plan Year	Medical and Prescription Drugs
2012	10.00%
2013	9.50%
2014	9.00%
2015	8.50%
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022+	5.00%

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE H - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)
Actuarial Methods and Assumptions (Continued)

Health insurance premiums for 2012 were used as the basis for calculation of the present value of total benefits to be paid.

Additional information derived from this actuarial valuation follows:

Actuarial date: July 1, 2012, which includes participants through June 30, 2012.

Actuarial cost method: Projected unit credit funding method

Amortization Method: Level percent of pay amortization on an open basis.

Participation rate assumption: 45%

Amortization Factor: 30 Years

Rates are based on assumptions from the respective pension plan valuations.

For valuation purposes, health care cost increases are assumed to apply at the end of the plan year.

NOTE I - CONTINGENT LIABILITIES

The School is mandated to bring the school up to federal asbestos specifications. The cost of implementing all inspection recommendations cannot be determined at this time. An asbestos management program is regularly monitored, updated, and on file in regard to federal specifications.

NOTE J - RISK MANAGEMENT

The School faces a considerable number of risks 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. A variety of methods is 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 content damage, employee medical costs, and professional liabilities. The School participates in one state-wide public risk pool operated by the Workers' Compensation Risk Retention Program for workers' compensation coverage. And, given the lack of coverage available, the School has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated between the school's General Fund and Transportation Fund (a special revenue fund). The premiums for the employee medical plan are allocated to the appropriate funds based on salaries paid from the funds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In November 1989, the School joined together with other Montana schools and became a member of the Montana Schools Group Insurance Authority. This is a public entity risk pool which offers workers' compensation coverage under the Workers' Compensation Risk Retention Program. The pool currently operates as a common risk management and insurance program for member schools. The program offers medical benefits, partial and total disability benefits, death benefits, and rehabilitation benefits. The School pays an annual premium for its employee injury insurance coverage, which is allocated to the schools' funds based on total budgeted salaries and wages. The agreement for the formation of the pool provides that it will be self-sustaining through member premiums.

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE K - GOVERNMENTAL FUND BALANCES

The School's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

Nonspendable - Balances that either are not in spendable form or are legally or contractually required to remain intact.

Restricted - Balances that are restricted for specific purposes by the constitution, enabling governing body or external resource providers such as creditors, grantors, or laws or regulations of other governments.

Committed - Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the school board of trustees.

Assigned - Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Residual balances that are not contained in the other classifications.

NOTE L - SUBSEQUENT EVENTS

The School recognizes all effects of subsequent events that provide additional evidence about conditions that existed as of June 30, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of June 30, 2014, but arose after that date and prior to issuance are not recognized in these financial statements other than disclosure. The School evaluates the subsequent events through the date of the auditor's report.

NOTE M - FUND EQUITY RESTATEMENT

The Flexibility Fund reported within special revenue funds does not meet the clarified definition for a special revenue fund. As a result, a reclassification was made to reduce the beginning fund balance of special revenue funds and increase beginning fund balance of the General Fund.

Fund equity as of July 1, 2013 has been restated as follows:

	Fund Equity at 6/30/2013 as previously reported	Fund Re- classification	Fund Equity as restated 7/1/2013
General Fund	\$ 748,170	\$ 2,396	\$ 750,566
Flexibility Fund	2,396	(2,396)	-
Total	<u>\$ 750,566</u>	<u>\$ -</u>	<u>\$ 750,566</u>

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE N - DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

On the Balance Sheet for the governmental funds, taxes levied but not collected are classified as a deferred inflow of resources as these funds were not collected and available within the reporting period. This account is eliminated on the Government Wide Financial Statements.

NOTE O - CONSTRUCTION COMMITMENT

Glasgow Public Schools has entered into contracts for construction as follows:

	Authorized Project Bid	Expended to June 30, 2014	Percent Complete	Expended to March 7, 2015	Percent Complete
Eastside School	\$ 3,200,000	\$ 2,073,063	64.78%	\$ 3,018,864	94.34%
Irle School	12,100,000	1,246,055	10.30%	6,165,166	50.95%
High School	1,500,000	316,109	21.07%	1,158,062	77.20%
Total	<u>\$ 16,800,000</u>	<u>\$ 3,635,227</u>		<u>\$ 10,342,092</u>	

REQUIRED SUPPLEMENTARY INFORMATION

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund			Flex Fund	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original/ Final Budget	Actual Amounts Budgetary Basis	Variance From Final Budget			
Revenues						
District Levy	\$ 1,859,972	\$ 1,838,172	\$ (21,800)	\$ -	\$ -	\$ 1,838,172
Tax Title and Property Sale	3,159	614	(2,545)	-	-	614
Penalty/Interest on Delinquent Taxes	-	8,791	8,791	-	-	8,791
Interest Earnings	2,502	1,340	(1,162)	2	-	1,342
Miscellaneous	4,025	2,892	(1,133)	-	-	2,892
County Sources	-	-	-	-	-	-
State Sources	4,035,959	4,036,116	157	-	-	4,036,116
Federal Sources	-	2,065	2,065	-	-	2,065
Total Revenues	<u>5,905,617</u>	<u>5,889,990</u>	<u>(15,627)</u>	<u>2</u>	<u>-</u>	<u>5,889,992</u>
Expenditures						
Current:						
Instruction:						
Regular Programs	3,160,636	3,161,827	(1,191)	2,398	94,643	3,069,582
Special Programs	502,254	478,046	24,208	-	-	478,046
Vocational Programs	197,511	187,079	10,432	-	345	186,734
Supporting services:						
Student	177,735	174,467	3,268	-	(285)	174,752
Instructional staff	18,059	5,343	12,716	-	-	5,343
Library	151,998	152,127	(129)	-	527	151,600
District administration	356,081	351,330	4,751	-	-	351,330
School administration	172,618	188,451	(15,833)	-	-	188,451
Business	114,631	116,785	(2,154)	-	-	116,785
Operation and maintenance	776,474	787,282	(10,808)	-	(3,885)	791,167
Retirement	-	-	-	-	-	-
School food services	-	-	-	-	-	-
Facilities Acquisition	-	-	-	-	-	-
Extracurricular	250,972	242,226	8,746	-	-	242,226
Capital outlay	-	37,682	(37,682)	-	-	37,682
Debt Service						
Principal Retirement	20,069	20,085	(16)	-	-	20,085
Interest	6,579	6,560	19	-	-	6,560
Total Expenditures	<u>5,905,617</u>	<u>5,909,290</u>	<u>(3,673)</u>	<u>2,398</u>	<u>91,345</u>	<u>5,820,343</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(19,300)	(19,300)	(2,396)	91,345	69,649
Other Financing Sources						
Proceeds from Long-Term Liabilities	-	37,682	37,682	-	-	37,682
Total Other Financing Sources	-	37,682	37,682	-	-	37,682
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>\$ -</u>	<u>18,382</u>	<u>\$ 18,382</u>	<u>(2,396)</u>	<u>\$ 91,345</u>	<u>107,331</u>
Fund Balance, Beginning of Year		714,547		2,396		750,566
Change in Inventory		3,183		-		3,183
Adjusted Fund Balance, Beginning of Year		<u>717,730</u>		<u>2,396</u>		<u>753,749</u>
Fund Balance, End of Year		<u>\$ 736,112</u>		<u>\$ -</u>		<u>\$ 861,080</u>

Explanation of differences:

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.

\$ 91,345

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

A budget is adopted by the Board of Trustees each fiscal year for the General Fund and those other Governmental Fund Types classified by State law as budgeted funds. Each budget is presented on the modified accrual basis of accounting, utilizing encumbrances as described in Note A of the Notes to the Financial Statements, which is not consistent with generally accepted accounting principles. All budgets are formulated in accordance with State law. The General Fund budget is based on the State's Foundation Program, which is designed to equalize taxing effort throughout the State and bases the budget primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by State law to budgeted amounts, except that they can be increased for emergencies as defined by State law. Transfers may be made between expenditure objects and/or functions within the same fund. The Flex Fund did not meet the clarified definition of a special revenue fund and therefore must be incorporated into the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Value Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Percentage	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$ -	\$ 329,688	\$ 329,688	0.00%	\$ 2,940,427	11.21%
June 30, 2013	-	690,674	690,674	0.00%	2,987,737	23.12%
June 30, 2014	-	782,262	782,262	0.00%	3,192,324	24.50%

SUPPLEMENTARY INFORMATION

GLASGOW PUBLIC SCHOOLS
 VALLEY COUNTY
 GLASGOW, MONTANA
 EXTRACURRICULAR FUND
 STATEMENT OF REVENUES COLLECTED AND EXPENDITURES PAID
 ALL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2014

Fund Account	Beginning Balance	Revenues Collected	Expenditures Paid	Transfers In (Out)	Ending Balance
Art Club	\$ 4,275	\$ 1,665	\$ 851	\$ -	\$ 5,089
Anti Bullying Committee	1,069	921	-	-	1,990
Athletics					
Boy's Basketball	9,806	19,154	13,117	(3,265)	12,578
Cross Country	2,671	1,122	2,213	1,225	2,805
Cross Country/Track	756	5,828	9,411	3,224	397
Football	4,088	15,862	17,583	1,456	3,823
Girls' Basketball	8,032	15,236	9,293	(3,590)	10,385
Golf	(163)	1,032	4,260	3,976	585
Softball	260	4,966	9,437	4,651	440
Track Fees	2,230	704	112	-	2,822
Tournaments	7,256	41,006	39,108	(798)	8,356
Volleyball	3,375	6,066	6,139	1,413	4,715
Weightlifting Equipment	9	-	-	-	9
Wrestling	(533)	3,130	4,181	3,363	1,779
BPA	1,178	1,827	1,562	-	1,443
Cheerleaders	7,309	6,587	8,984	-	4,912
Class of 2012	702	-	702	-	-
Class of 2013	2,277	-	2,277	-	-
Class of 2014	4,793	819	2,279	-	3,333
Class of 2015	1,035	9,692	7,314	-	3,413
Class of 2016	1,134	1,132	33	-	2,233
Class of 2017	-	773	-	-	773
Comp. Speech & Drama	589	2,137	2,827	817	716
Concessions	11,675	30,700	28,094	347	14,628
DC Trip	7,166	60,309	58,136	-	9,339
FCCLA	11,027	5,246	3,780	(20)	12,473
Foreign Language Club	222	1	-	-	223
"G" Club	4,037	1,766	814	(20)	4,969
Glasgow Book	289	362	280	-	371
Honor Society	1,159	1,142	1,069	-	1,232
Jr Honor Society	1,840	621	610	-	1,851
JMG	4,103	2,448	1,331	-	5,220
Key Club	3,611	3,661	4,309	(20)	2,943
Lost Books & Fines	2,713	2,546	1,317	-	3,942
Materials Fees	5,064	1,650	1,000	(200)	5,514
Media	5,159	1	94	-	5,066
Multi-Cultural Club	173	-	-	-	173
Auditorium Seats	2,156	1	-	-	2,157
Music	1,203	3,285	3,247	617	1,858
Swing Choir	6,052	3,185	1,218	-	8,019
Band Trip	620	-	-	-	620
Band Uniforms	1,399	-	-	-	1,399
Music Festivals	15	-	-	-	15
Pep Club	1,353	577	451	-	1,479
Professional Library	1,791	4,577	4,004	-	2,364
Scholarship	-	11,000	10,000	-	1,000
School Newspaper	320	35	35	-	320
Scotty Annual	10,227	11,453	9,594	-	12,086
Special Events	301	-	-	-	301
Student Activity	82	14,411	25	(14,360)	108
Student Council	4,636	5,417	6,493	620	4,180
Interest	245	4,003	1,156	-	3,092
Student Resale	1,556	4,111	4,096	-	1,571
Theater	4,827	4,928	269	231	9,717
T.S.A.	5,563	2,005	1,461	(21)	6,086
Wood Shop	3,220	1,406	-	-	4,626
MS Art Club	109	2,136	2,094	-	151
7/8 Bookworms	1,024	5,158	5,158	-	1,024
7/8 Drama	1,297	-	-	154	1,451
7/8 Family Consumer	21	1,506	1,472	218	273
7/8 Industrial Arts	1,024	1	-	-	1,025
7/8 Resource Room	697	377	353	(18)	703
7/8 Student Council	643	397	382	-	658
Destination Imagination	56	-	-	-	56
East Side School	550	579	178	-	951
East Side Music	800	222	133	-	889
Grade 6 Activities	156	565	202	-	519
Total	\$ 172,329	\$ 331,447	\$ 294,538	\$ -	\$ 209,238

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
SCHEDULE OF STUDENT ENROLLMENT

	<u>Per District Records</u>	<u>Per Enrollment Report</u>
Fall Enrollment 10/13		
Elementary School District:		
Kindergarten	69	69
Grades Pre 1 - 6	387	387
Grades 7 - 8	122	122
Total Elementary	578	578
High School District:		
Grades 9 - 12	254	254
Winter Enrollment 12/13		
Elementary School District:		
Kindergarten	69	69
Grades Pre 1 - 6	385	385
Grades 7 - 8	117	117
Total Elementary	571	571
High School District:		
Grades 9 - 12	250	250
Spring Enrollment 2/14		
Elementary School District:		
Kindergarten	71	71
Grades Pre 1 - 6	386	386
Grades 7 - 8	119	119
Total Elementary	576	576
High School District:		
Grades 9 - 12	248	248

GLASGOW PUBLIC SCHOOLS
VALLEY COUNTY
GLASGOW, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number	Program Award Amount
U.S. Department of Education			
Passed Through State:			
Title I, Part A	84.010A	53-0926-31-13	\$ 217,831
Title I, Part A	84.010A	53-0926-31-14	213,604
Title I, Part A	84.010A	53-0926-31-15	202,900
Subtotal CFDA 84.010			
IDEA Part B	84.027	53-0926-77-13	190,274
IDEA Part B	84.027	53-0926-77-14	179,856
Subtotal CFDA 84.027			
IDEA Pre-School	84.173	53-0926-79-13	10,764
IDEA Pre-School	84.173	53-0926-79-14	10,275
Subtotal CFDA 84.173			
Title II, Part A	84.367A	53-0926-14-13	56,677
Title II, Part A	84.367A	53-0926-14-14	54,258
Subtotal CFDA 84.367			
Carl Perkins - Basic	84.048A	53-0926-8114-BG	12,991
Carl Perkins - Vocational Education	84.048A	Montana University Sy	6,305
Subtotal CFDA 81.048A			
ACT Plus Writing Test Administration (Gear Up)	84.334	53-926-8114	1,390
Small, Rural School Achievement Program (REAP)	84.358A	S358A138191	3,323
Total Department of Education			
U.S. Department of Agriculture			
Passed Through State:			
National School Lunch Program	10.555	N/A	149,490
USDA Commodities - noncash assistance	10.555	N/A	24,228
Subtotal CFDA 10.555			
Fresh Fruit & Vegi Program	10.582	N/A	13,054
School Breakfast Program	10.553	N/A	54,406
Total Department of Agriculture			
Total Federal Assistance			

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

This Schedule of Expenditures of Federal Awards as presented, reports actual cash received and disbursed by each grant. It is not intended to be in conformity with generally accepted accounting principles.

NOTE B - PAYMENTS TO SUBRECIPIENT

Glasgow Public Schools passed through the following funds to a subrecipient, Nashua Public Schools: IDEA Part B \$23,151, and IDEA Pre-School \$264.

NOTE C - COMMODITIES

Glasgow Public Schools receives commodity noncash grant assistance of \$24,228. These grants are recorded as revenue when received and expenditures when used.

NOTE D - INSURANCE

Glasgow Public Schools had insurance in effect for the year under audit.

Cash Beginning Balance 7-1-13	Federal Awards Received	Federal Awards Expended	Cash Ending Balance 6-30-14
\$ 36,779	\$ 7,065	\$ 43,844	\$ -
-	213,604	179,347	34,257
-	-	6,630	(6,630)
<u>36,779</u>	<u>220,669</u>	<u>229,821</u>	<u>27,627</u>
12,056	-	12,056	-
-	179,856	167,236	12,620
<u>12,056</u>	<u>179,856</u>	<u>179,292</u>	<u>12,620</u>
1,577	-	1,577	-
-	10,275	8,688	1,587
<u>1,577</u>	<u>10,275</u>	<u>10,265</u>	<u>1,587</u>
9,516	-	9,516	-
-	54,258	44,440	9,818
<u>9,516</u>	<u>54,258</u>	<u>53,956</u>	<u>9,818</u>
-	12,991	10,727	2,264
-	-	3,492	(3,492)
-	12,991	14,219	(1,228)
-	1,390	1,390	-
-	3,323	3,323	-
<u>59,928</u>	<u>482,762</u>	<u>492,266</u>	<u>50,424</u>
-	149,490	149,490	-
-	24,228	24,228	-
-	173,718	173,718	-
-	13,054	13,054	-
-	54,406	54,406	-
-	241,178	241,178	-
<u>\$ 59,928</u>	<u>\$ 723,940</u>	<u>\$ 733,444</u>	<u>\$ 50,424</u>

ADDITIONAL REPORTS



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

Board of Trustees
Glasgow Public Schools
Valley County
Glasgow, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glasgow Public Schools, Valley County, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Glasgow Public Schools' basic financial statements, and have issued our report thereon dated March 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glasgow Public Schools' 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 Glasgow Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Glasgow Public Schools' 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding #1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glasgow Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Finding #1.

Glasgow Public Schools' Response to Findings

Glasgow Public Schools' response to the findings identified in our audit are described in the accompanying schedule of responses. Glasgow Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

March 7, 2015



CHMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Glasgow Public Schools
Valley County
Glasgow, Montana

Report on Compliance for Each Major Federal Program

We have audited Glasgow Public Schools, Valley County, Montana's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Glasgow Public Schools' major federal programs for the year ended June 30, 2014. Glasgow Public Schools' 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 Glasgow Public Schools' 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 Glasgow Public Schools' 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 Glasgow Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Glasgow Public Schools 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 Glasgow Public Schools 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 Glasgow Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Glasgow Public Schools' internal control over compliance.

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

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.

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.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

March 7, 2015

GLASGOW PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Glasgow Public Schools.
2. One significant deficiency relating to the audit of the financial statements is reported in the Independent Auditor's 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. No material weaknesses were identified.
3. One instance of noncompliance material to the financial statements of Glasgow Public Schools was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Glasgow Public Schools expresses an unmodified opinion.
6. No audit findings relating to major federal award programs, as described in OMB Circular A-133, were disclosed during the audit.
7. The programs tested as major programs included:

IDEA Part B	CFDA No. 84.027
IDEA Preschool	CFDA No. 84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Glasgow Public Schools was determined to be a low-risk auditee.

GLASGOW PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS - FINANCIAL STATEMENTS AUDIT

Significant Deficiency and Material Noncompliance

FINDING #1 - EXTRACURRICULAR FUND

Finding #1A - Reconciliation

Condition

The extracurricular general account is not being reconciled to the bank statements.

Criteria

The combined total of all the individual fund account balances should be reconciled to the combined total of the cash and bank control account balances as required by MCA 20-9-504(2)(b).

Effect

Fund accounts may not have the appropriate revenues and expenditures applied to the accounts.

Cause

The Fund Custodian is reconciling the bank statements, however it appears there is a lack of understanding on how to do a proper bank reconciliation.

Recommendation

Reconciliation to the bank statements should be done in a timely manner. Once the reconciliation is complete, a review process should be in place to ensure the bank statements are properly reconciled.

Finding #1B - Outstanding Checks

Condition

Old outstanding checks are not being cancelled per Montana Code Annotated (MCA) or the district policy.

Criteria

Outstanding checks should be cancelled after one year from the date of issue.

Effect

Outstanding checks older than one year are not in compliance with District policy or MCA.

Cause

The Administrative Policy Guidelines from the District policy are not being followed.

Recommendation

Outstanding checks should be reviewed on a monthly basis. Any checks outstanding for more than a year should be taken to the Board of Trustees for approval to be cancelled.

GLASGOW PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

FINDING #1 - EXTRACURRICULAR FUND (Continued)

Finding #1C - Approval/Documentation

Condition

Purchase Order Requests are not properly approved by a student representative or advisor, and proper documentation of expenses is lacking for payment of invoices.

Criteria

All purchases should have a Purchase Order Request, any applicable receipts or invoices, and should be signed by a student representative and an advisor.

Effect

Purchase Order Requests are not properly approved and do not have proper documentation.

Cause

Purchase Order Requests are sometimes filled out by advisors without the proper consent and approval by a student representative or club treasurer or president. Purchase Order Requests do not contain the relevant and required documentation.

Recommendation

The fund custodian should not process any Purchase Order Requests until proper approval by the fund advisor and the appropriate student representative. All receipts and Purchase Order Requests pertaining to the Purchase order should be kept together.

Finding #1D - Deposits

Condition

Individual receipts cannot be traced to deposits, and deposits are not made timely. The extracurricular clerk does not keep adequate records of what monies go into each deposit. The 'GHS Internal Accounts/Extra-Curricular Fees Receipt' numbers are not linked to any deposit.

Criteria

All receipts numbers must be listed on deposit tickets so that when totaled, the total from the receipts match the total on the deposit ticket as required by state compliance. Deposits should be made timely per District policy.

Effect

Individual receipts cannot be traced back to deposits. Deposits are not made timely, and the accounting balances are not accurate.

Cause

Receipt numbers are not associated with a deposit ticket. Totals from receipts are entered on the deposit ticket, but a list of individual receipts and the dollar amounts are not present. The deposits are made approximately once per month. Some deposits are entered in Black Mountain software much earlier in the fiscal year than actually taken to the bank.

Recommendation

A list of receipts and their corresponding dollar amounts should be kept and included with deposit tickets. Deposits should be made at least once per week and entered into Black Mountain Software as of the date actually deposited.

GLASGOW PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

FINDING #1 - EXTRACURRICULAR FUND (Continued)

Finding #1E - NSF Checks

Condition

NSF checks are not being handled correctly.

Criteria

Checks that have been returned by the bank as NSF should be immediately re-deposited. If they come back again as non-sufficient, the owners of the checking account should be contacted for another form of payment. If this is unsuccessful, the NSF checks should then be turned over to the county attorney. If all attempts to collect fail, the checks should be taken to the Board of Trustees for cancellation as required by District policy.

Effect

NSF checks are not being properly handled.

Cause

Some NSF checks are entered into the books, but not as going against the fund that took in the revenue. They are going against the Misc Charges fund. Some NSF checks are not entered into the accounting system at all.

Recommendation

Greater care should be taken to track which funds the NSF checks should go against to ensure they are being entered into Black Mountain Software, and also that they are entered into the correct funds.

Finding #1F - Intra-Fund Transfers

Condition

Intra-fund transfers were not properly authorized by the club advisor/athletics director. Some were not properly labeled with a transfer number.

Criteria

All transfers of money between funds must be properly approved by a club advisor or the athletics director, whomever is the appropriate signor as required by state compliance and District policy.

Effect

Intra-fund transfers are not being properly handled.

Cause

Intra-fund transfers are being processed without proper approval.

Recommendation

All intra-fund transfers should be properly authorized and any supporting documentation that may apply should be attached to the request.

GLASGOW PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

PRIOR YEAR AUDIT FINDINGS

Finding	Status
Extracurricular Balances	Implemented
Payroll from Extracurricular Funds	Implemented

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

GLASGOW PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

The prior audit report contained no findings related to federal award programs.

GLASGOW SCHOOL DISTRICT #1A

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R.L. IRLE ELEMENTARY SCHOOL

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GLASGOW SCOTTIES

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 Activities Director and Transportation
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March 31, 2015

RESPONSE TO FINDINGS OF JUNE 30, 2015 AUDIT**FINDING #1 – EXTRACURRICULAR FUND****Finding 1A – Reconciliation****Response**

The reconciliation mistake was found and corrected and the bank statements are now properly reconciled to date.

Finding 1B – Outstanding checks**Response**

Outstanding checks were overlooked at the end of the year. A letter to the Board of Trustees has been submitted to have the list of checks voided. Every effort will be made to encourage cashing/depositing checks. Outstanding checks will be analyzed annually and those one year or older will be presented to the Board of Trustees, annually in April, for approval to cancel.

Finding 1C – Approval/Documentation**Response**

No Purchase Order requests will be approved until they have the proper signatures from both the advisor and student representative or other appropriate signors.

Finding 1D– Deposits**Response**

Deposits will be checked to insure that receipts are firmly attached to the deposit slips along with the reconciliation report from the student activity software program. Deposits are now being made weekly.

Finding 1E – NSF Checks**Response**

After exhausting all options to collect on NSF checks they will be presented to the Board of Trustees for cancellation. Upon cancellation, NSF checks will be charged against the appropriate account that received the check as revenue.

FINDING #1 – EXTRACURRICULAR FUND

Finding 1A – Reconciliation

Response

The reconciliation mistake was found and corrected and the bank statements are now properly reconciled to date.

Finding 1B – Outstanding checks

Response

Outstanding checks were overlooked at the end of the year. A letter to the Board of Trustees has been submitted to have the list of checks voided. Every effort will be made to encourage cashing/depositing checks. Outstanding checks will be analyzed annually and those one year or older will be presented to the Board of Trustees, annually in April, for approval to cancel.

Finding 1C – Approval/Documentation

Response

No Purchase Order requests will be approved until they have the proper signatures from both the advisor and student representative or other appropriate signors.

Finding 1D– Deposits

Response

Deposits will be checked to insure that receipts are firmly attached to the deposit slips along with the reconciliation report from the student activity software program. Deposits are now being made weekly.

Finding 1E – NSF Checks

Response

After exhausting all options to collect on NSF checks they will be presented to the Board of Trustees for cancellation. Upon cancellation, NSF checks will be charged against the appropriate account that received the check as revenue.

Finding 1F – Intra- Fund Transfers

Response

Care will be taken to make sure appropriate signatures are obtained prior to making intra-fund transfers. Upon absence or departure of appropriate signors, approval shall be obtained from the District Clerk.