

**VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY**

**VAUGHN, MONTANA**

**FINANCIAL STATEMENT**

**AS OF**

**JUNE 30, 2014**

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***Douglas Wilson & Company, P.C.***

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**VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY**

**VAUGHN, MONTANA**

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**ORGANIZATION**

**BOARD OF TRUSTEES**

Rob Owens	Chairman
Hy Rushton	Vice-Chairman
Jennifer Links	Trustee
Tracy Lewis	Trustee
Judd Brooks	Trustee

**OFFICIALS**

Dean Jardee	Principal
Lynda Kohut	District Clerk
Jamie Bailey	County Superintendent
John Parker	County Attorney



**Douglas WILSON**  
and Company, PC

To the Board of Trustees  
Vaughn School District No. 74  
Cascade County  
Vaughn, Montana

Randal J. Boysun, CPA  
Gerard K. Schmitz, CPA  
Michael A. Diekhans, CPA  
Myra L. Bakke, CPA

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Douglas N. Wilson, CPA  
Bruce H. Gaare, CPA  
Dixie L. Swanson, CPA

## INDEPENDENT AUDITOR'S REPORT

### 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 Vaughn School District No. 74, Cascade County, Vaughn, Montana (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, 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 Vaughn School District No. 74, Cascade County, Vaughn, 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 on pages 7 through 9 and the budgetary comparison information on pages 26 through 27 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 the District's basic financial statements. The schedule of school district enrollment on page 28 and the schedule of revenues, expenditures, and changes in fund balances by student activity for the extracurricular funds on page 29 are presented for purposes of additional analysis as required by the State of Montana, and are not a required part of the basic financial statements.

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

*Prior Year Summarized Information*

The prior year summarized comparative information has been derived from the District's 2013 financial statements and, in our report dated June 23, 2014 we expressed an unmodified opinion on those financial statements. The summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Great Falls, Montana  
July 6, 2015

# VAUGHN PUBLIC SCHOOL

480 Central Avenue  
Vaughn, MT 59487  
Phone: 406-965-2231

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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

This discussion and analysis is an overview of the district's financial activities for the fiscal year ending June 30, 2014. It is intended to be viewed in conjunction with the district's financial statements for the same fiscal year.

### FINANCIAL HIGHLIGHTS

The district's 2014 financial position remained relatively stable, with no significant increases in assets or expenditures. Enrollment, along with state revenue has stabilized in the district. The district remains successful in garnering local support of general fund levies. This factor, along with the district's success in being awarded federal grant monies, has allowed the district to function at standards that meet or exceed state requirements, both at the elementary and middle school level.

### USE OF THIS ANNUAL REPORT

This annual report consists of financial statements of the district as a whole, with more detailed information for specific district funds. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the district as a whole and present a long-term view of the district's finances, including capital assets and long-term liabilities.

The fund financial statements present a short-term view of the district's activities. It includes anticipated current assets and liabilities. Generally accepted accounting principles require that major funds be disclosed in the district's financial statements. These statements provide detailed information about the district's General, Transportation, Retirement, and Miscellaneous Programs funds, which are identified as major funds. Also included are financial reports of the Student Activity Fund as overseen by the district.

### THE DISTRICT AS A WHOLE

The district's government-wide financial statement defines the overall stability of the district. This statement includes all district assets and liabilities using the accrual basis of accounting.

A change in net position over time is an indicator of the district's financial health; however, other non-financial factors also have a significant effect on the district. Vaughn School District has steadily increased enrollment from 79 students to 125 since 2007, which has its effects in the amount of state revenues the district receives. While the district's taxable value remains relatively stable, the value of a mil in this district is one of the lowest in the state. Due to this, local levies are depended on to fund the financial needs of the district.

Changes in the district's net position as reported on the Statement of Activities are \$(35,553) for the school year ending June 30, 2014.

The district's net position was as follows:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>%</u>
<b>District Net Position:</b>				
Current Assets	\$ 335,005	\$ 302,982	\$ 32,023	11%
Capital Assets-Net	396,207	431,455	(35,248)	-8%
<b>Total Assets</b>	<u>731,212</u>	<u>734,437</u>	<u>(3,225)</u>	0%
Current Liabilities	21,694	27,109	(5,415)	-20%
Non-Current Liabilities	45,444	55,140	(9,696)	-18%
<b>Total Liabilities</b>	<u>67,138</u>	<u>82,249</u>	<u>(15,111)</u>	-18%
 <b>NET POSITION</b>	 <u><u>\$ 664,074</u></u>	 <u><u>\$ 652,188</u></u>	 <u><u>\$ 11,886</u></u>	2%

Net position includes:

Net Position Includes:

Net Investment in Capital Assets	\$ 396,207	\$ 431,455	\$ (35,248)	-8%
Restricted	178,019	157,818	20,201	13%
Unrestricted	89,848	62,915	26,933	43%
<b>NET POSITION</b>	<u><u>\$ 664,074</u></u>	<u><u>\$ 652,188</u></u>	<u><u>\$ 11,886</u></u>	2%

Program revenues were as follows:

District Program Revenues:

State/Federal Program Revenue	\$ 287,670	\$ 306,720	\$ (19,050)	-6%
Special Education	35,861	26,567	9,294	35%
State/County Transportation	38,563	44,743	(6,180)	-14%
Sale of Meals/Other Fees	19,331	21,259	(1,928)	-9%
<b>Total Program Revenue</b>	<u><u>\$ 381,425</u></u>	<u><u>\$ 399,289</u></u>	<u><u>\$ (17,864)</u></u>	-4%

General revenues were as follows:

District General Revenues:

General Revenues				
District Property Taxes	\$ 286,540	\$ 252,386	\$ 34,154	14%
County Property Taxes	138,101	85,502	52,599	62%
State Revenue	618,808	518,701	100,107	19%
Investment Earning/Other	16,930	32,102	(15,172)	-47%
<b>Total General Revenue</b>	<u>1,060,379</u>	<u>888,691</u>	<u>171,688</u>	19%
 <b>Total Program Revenue</b>	 <u>381,425</u>	 <u>399,289</u>	 <u>(17,864)</u>	-4%
 <b>Total Revenue</b>	 <u><u>\$ 1,441,804</u></u>	 <u><u>\$ 1,287,980</u></u>	 <u><u>\$ 153,824</u></u>	12%

The District's expenses were as follows:

**District Expenses:**

<b>Expenditures</b>				
Instruction	\$ 782,349	\$ 700,886	\$ 81,463	12%
General Administration	15,206	13,951	1,255	9%
School Administration	107,846	104,582	3,264	3%
Business	37,980	38,431	(451)	-1%
Operation and Maintenance	141,184	126,521	14,663	12%
Special Education	30,530	67,325	(36,795)	-55%
Transportation	76,516	85,784	(9,268)	-11%
Retirement and Insurance	126,053	93,830	32,223	34%
Extracurricular	16,949	14,224	2,725	19%
School Food	68,655	65,773	2,882	4%
Unallocated Depreciation	26,650	12,226	14,424	118%
<b>Total Expenditures</b>	<u>1,429,918</u>	<u>1,323,533</u>	<u>106,385</u>	8%
Less Program Revenues	381,425	399,289	(17,864)	-4%
Net Expenses	<u>1,048,493</u>	<u>924,244</u>	<u>124,249</u>	13%
Less General Revenues	<u>1,060,379</u>	<u>888,691</u>	<u>171,688</u>	19%
<b>Change in Net Position</b>	<u>\$ 11,886</u>	<u>\$ (35,553)</u>	<u>\$ (47,439)</u>	133%

**FUND FINANCIAL STATEMENTS**

The district's fund financial statements provide detailed information about the major funds of the district. Major funds are defined as the general fund and other funds where assets, liabilities, revenues or expenditures exceed 10% of the total governmental fund amounts. In the 2014 fiscal year, the assets, liabilities, revenues or expenditures of the district's transportation fund, bus depreciation fund, retirement fund, and miscellaneous programs fund exceed at least one of the 10% thresholds.

The Transportation fund is used to finance the maintenance and operation of district owned buses, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The Bus Depreciation Fund is used to finance the replacement of buses and two-way radio equipment. The Retirement Fund is used to pay the district's portion of social security, Medicare, retirement and unemployment for its employees, with the exception of employees funded by federal grants. The Miscellaneous Programs fund is used to account for miscellaneous grant and other funds.

Total governmental fund balances increased by \$25,127 in 2014 as compared to the government-wide decrease in net position of \$11,886. The primary reasons for the difference are 1) increasing capital assets and recording depreciation expense in the government-wide statement and 2) recording the changes in property taxes receivable, compensated absences payable and termination benefits payable in the government wide statement.

**THE DISTRICT'S OUTLOOK**

The district's 2015 financial position remains relatively stable, with no significant increases in assets or expenditures. Enrollment, along with state revenue has stabilized in the district. The district remains successful in garnering local support of general fund levies. This factor, along with the district's success in being awarded federal grant monies, has allowed the district to function at standards that meet or exceed state requirements, both at the elementary and middle school level.

VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY  
VAUGHN, MONTANA

STATEMENT OF NET POSITION  
JUNE 30, 2014

(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013)

	6/30/14	6/30/13
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 278,662	\$ 284,684
Property Taxes Receivable	24,850	17,954
Due from Other Governments	31,493	344
Total Current Assets	335,005	302,982
Capital Assets:		
Land	50,362	50,362
Buildings and Improvements	1,145,445	1,145,445
Machinery and Equipment	398,576	384,513
Less: Accumulated Depreciation	(1,198,176)	(1,148,865)
Capital Assets - Net	396,207	431,455
Total Assets	731,212	734,437
<b>LIABILITIES</b>		
Current Liabilities:		
Compensated Absences Payable	14,662	20,077
Termination Benefits Payable	7,032	7,032
Total Current Liabilities	21,694	27,109
Long-Term Debt:		
Compensated Absences Payable	43,776	47,612
Termination Benefits Payable	1,668	7,528
Total Noncurrent Liabilities	45,444	55,140
Total Liabilities	67,138	82,249
<b>NET POSITION</b>		
Net Investment in Capital Assets	396,207	431,455
Restricted	178,019	157,818
Unrestricted	89,848	62,915
Total Net Position	\$ 664,074	\$ 652,188

See accompanying notes.

VAUGHN SCHOOL DISTRICT NUMBER 74  
CASCADE COUNTY  
VAUGHN, MONTANA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013)

	Expenses	Program Revenue		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets 6/30/14	Revenue and Change in Net Assets 06/30/13
				Government Operations	Government Operations
<b>Government Operations</b>					
Instruction	\$ 782,349	\$ -	\$ 220,530	\$ (561,819)	\$ (455,842)
General Administration	15,206	-	-	(15,206)	(13,951)
School Administration	107,846	-	7,196	(100,650)	(98,931)
Business	37,980	-	-	(37,980)	(38,431)
Operation & Maintenance	141,184	-	12,145	(129,039)	(114,521)
Special Education	30,530	-	35,861	5,331	(40,758)
Transportation	76,516	-	38,563	(37,953)	(41,041)
Retirement & Insurance	126,053	-	-	(126,053)	(93,830)
Extracurricular	16,949	-	-	(16,949)	(14,224)
School Food	68,655	19,331	47,799	(1,525)	(489)
Depreciation - Unallocated	26,650	-	-	(26,650)	(12,226)
<b>Totals</b>	<b>\$ 1,429,918</b>	<b>\$ 19,331</b>	<b>\$ 362,094</b>	<b>(1,048,493)</b>	<b>(924,244)</b>
<b>General Revenues:</b>					
District Tax Levies				286,540	252,386
Other District Revenue				16,554	31,456
County Distribution - Retirement				138,101	85,502
State Equalization				349,739	303,244
State Guaranteed Tax Base Subsidy				173,958	125,825
State Block Grant				46,228	46,545
Other State Revenue				48,883	43,087
Investment Earnings				376	646
<b>Total General Revenues</b>				<b>1,060,379</b>	<b>888,691</b>
Change in Net Position				11,886	(35,553)
Net Position, Beginning of Year				652,188	687,741
<b>Net Position, End of Year</b>				<b>\$ 664,074</b>	<b>\$ 652,188</b>

See accompanying notes.

VAUGHN SCHOOL DISTRICT NO. 74  
 CASCADE COUNTY  
 VAUGHN, MONTANA

BALANCE SHEET  
 GOVERNMENT FUNDS  
 JUNE 30, 2014

Major Funds

	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Programs Fund	Nonmajor Government Funds	Total Government Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 61,164	\$ 12,568	\$ 69,399	\$ 51,531	\$ 14,683	\$ 69,317	\$ 278,662
Property Taxes Receivable	19,770	3,043	1,840	-	-	197	24,850
Due From Other Governments	-	-	-	-	30,457	1,036	31,493
Total Assets	<u>\$ 80,934</u>	<u>\$ 15,611</u>	<u>\$ 71,239</u>	<u>\$ 51,531</u>	<u>\$ 45,140</u>	<u>\$ 70,550</u>	<u>\$ 335,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Tax Revenue	\$ 19,770	\$ 3,043	\$ 1,840	-	-	\$ 197	\$ 24,850
Fund Balances:							
Restricted for:							
Instruction	-	-	-	-	36,226	38,782	75,008
Support Services:							
School Administration	-	-	-	-	-	8,236	8,236
Student Transportation	-	12,568	69,399	51,531	-	-	81,967
Retirement	-	-	-	-	-	-	51,531
Food Services	-	-	-	-	-	-	2,057
Debt Service	-	-	-	-	-	-	6
Capital Projects	-	-	-	-	-	21,272	21,272
Assigned to:							
Instruction	1,106	-	-	-	8,914	-	10,020
General Administration	3,949	-	-	-	-	-	3,949
Operation and Maintenance	2,809	-	-	-	-	-	2,809
Unassigned	53,300	-	-	-	-	-	53,300
Total Fund Balances	<u>\$ 61,164</u>	<u>\$ 12,568</u>	<u>\$ 69,399</u>	<u>\$ 51,531</u>	<u>\$ 45,140</u>	<u>\$ 70,353</u>	<u>\$ 310,155</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 80,934</u>	<u>\$ 15,611</u>	<u>\$ 71,239</u>	<u>\$ 51,531</u>	<u>\$ 45,140</u>	<u>\$ 70,550</u>	<u>\$ 335,005</u>

**VAUGHN SCHOOL DISTRICT NUMBER 74  
CASCADE COUNTY  
VAUGHN, MONTANA**

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENT FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

Total fund balance reported on government funds Balance Sheet		\$	310,155
Add capital assets not on the Balance Sheet			1,594,383
Less accumulated depreciation			<u>(1,198,176)</u>
			396,207
Less liabilities not on the Balance Sheet:			
Compensated absences			(58,438)
Termination benefits			<u>(8,700)</u>
			(67,138)
Deferred inflow of resources for property taxes receivable recognized as revenue in the government-wide Statement of Net Assets			<u>24,850</u>
Net position			<u><u>\$ 664,074</u></u>

	Balance Sheet	Capital Asset Balances	Debt Related Balances	Measurement Focus Adjustments	Statement of Net Position
<b>Net Position</b>					
Net Investment in Capital Assets	\$ -	\$ 396,207	\$ -	\$ -	\$ 396,207
Restricted for:					
Instruction	75,008	-	(37,227)	22	37,803
School Administration	8,236	-	(16,792)	-	(8,556)
Business	-	-	(2,248)	-	(2,248)
Operation and Maintenance	-	-	(2,808)	-	(2,808)
Special Education	-	-	(969)	-	(969)
Student Transportation	81,967	-	(7,094)	4,883	79,756
Retirement	51,531	-	-	-	51,531
Food Services	2,057	-	-	-	2,057
Debt Service	6	-	-	122	128
Capital Projects	21,272	-	-	53	21,325
Unrestricted	70,078	-	-	19,770	89,848
<b>Total Net Position</b>	<u><u>\$ 310,155</u></u>	<u><u>\$ 396,207</u></u>	<u><u>\$ (67,138)</u></u>	<u><u>\$ 24,850</u></u>	<u><u>\$ 664,074</u></u>

**Capital Asset Balances:** Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund level financial statements. Capital assets are economic resources and are reported in the Statement of Net Position.

**Debt Related Balances:** Long term liabilities, such as bonds and compensated absences, are not due and payable in the current period, and therefore they are not included in the fund-level financial statements. These liabilities reduce net position from an economic perspective and are reported in the Statement of Net Position.

**Measurement Focus Adjustments:** These amounts include taxes receivable, which are not available to pay for current period expenditures and therefore the related revenue is reported as deferred inflow of resources on the fund-level Balance Sheet. From an economic perspective, this revenue is earned and the related deferred inflow of resources is removed from the Statement of Net Position when the revenue is recognized on the Statement of Activities.

See accompanying notes.

**VAUGHN SCHOOL DISTRICT NO. 74**  
**CASCADE COUNTY**  
**VAUGHN, MONTANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

-----Major Funds-----

	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Miscellaneous Programs Fund	Nonmajor Government Funds	Total Government Funds
<b>Revenues:</b>							
District Tax Levies	\$ 225,079	\$ 34,878	\$ 19,672	\$ -	\$ -	\$ 15	\$ 279,644
Other District Revenue	-	-	-	-	3,804	32,082	35,886
Investment Earnings	376	-	-	-	-	-	376
Cascade County	-	19,281	-	138,101	-	-	157,382
State of Montana	647,467	22,004	-	-	121,929	3,722	795,122
Federal	-	-	-	-	119,172	47,325	166,497
Total Revenue	<u>872,922</u>	<u>76,163</u>	<u>19,672</u>	<u>138,101</u>	<u>244,905</u>	<u>83,144</u>	<u>1,434,907</u>
<b>Expenditures:</b>							
Current:							
Instruction	557,731	-	-	-	232,423	2,485	792,639
General Administration	14,979	-	-	-	227	-	15,206
School Administrative Services	82,504	15,589	-	-	7,196	996	106,285
Business	29,656	6,616	-	-	-	1,587	37,859
Operation & Maintenance	142,715	586	-	-	12,215	6,986	162,502
Special Education	29,816	-	-	-	-	-	29,816
Transportation	-	53,903	-	-	-	819	54,722
Retirement & Insurance	-	-	-	126,053	-	-	126,053
Extracurricular	16,949	-	-	-	-	-	16,949
School Food	-	-	-	-	-	67,749	67,749
Total Expenditures	<u>874,350</u>	<u>76,694</u>	<u>-</u>	<u>126,053</u>	<u>252,061</u>	<u>80,622</u>	<u>1,409,780</u>
Change in Fund Balance	(1,428)	(531)	19,672	12,048	(7,156)	2,522	25,127
Fund Balance, Beginning of Year	62,592	13,099	49,727	39,483	52,296	67,831	285,028
Fund Balance, End of Year	<u>\$ 61,164</u>	<u>\$ 12,568</u>	<u>\$ 69,399</u>	<u>\$ 51,531</u>	<u>\$ 45,140</u>	<u>\$ 70,353</u>	<u>\$ 310,155</u>

VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY  
VAUGHN, MONTANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

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Change in fund balance as reported on the government funds statement		\$	25,127
Revenues on the Statement of Activities not included in the government funds statement:			
Increase in property taxes receivable	<u>6,896</u>		6,896
Expenses on the Statement of Activities not included in the government funds statement:			
Depreciation	(49,311)		
Decrease in Compensated Absences	9,251		
Decrease in Termination Benefits	<u>5,860</u>		(34,200)
Expenditures on the government funds statement not included in the Statement of Activities:			
Capital Outlay			<u>14,063</u>
Change in net position as reported on the Statement of Activities		\$	<u><u>11,886</u></u>

See accompanying notes.

VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY  
VAUGHN, MONTANA

STATEMENT OF FIDUCIARY NET POSITION AND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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	<u>Private Purpose Trust Funds</u>
<b>FIDUCIARY NET POSITION</b>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 12,098
<b>LIABILITIES</b>	
	-
<b>NET POSITION</b>	
Held in Trust	<u>\$ 12,098</u>

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**CHANGES IN FIDUCIARY  
NET POSITION**

<b>ADDITIONS</b>	
Student Activity Revenue	\$ 10,911
<b>DEDUCTIONS</b>	
Student Activities	<u>8,878</u>
<b>CHANGE IN NET POSITION</b>	2,033
<b>NET POSITION</b>	
Beginning of Year	<u>10,065</u>
End of Year	<u>\$ 12,098</u>

See accompanying notes.

**VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY  
VAUGHN, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Vaughn School District No. 74 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

**Reporting Entity** - Vaughn School District No. 74 was established under Montana law to provide elementary educational services to residents of the District. The District consists of an elementary school district.

The District is managed by one central Board of Trustees elected in a district-wide election, and by a central administration appointed by and responsible to the Board of Trustees. The District provides education from kindergarten through the eighth grade.

The government of Cascade County provides substantial services to the district. Taxes are levied and collected by the county. Cash is maintained and invested by the County Treasurer. The County Commissioners have a legal right to review and approve the budget adopted by the District. However, management policies and day-to-day control of the District are the sole responsibility of the Board of Trustees.

The County does not significantly influence the operations of the District; thus, the District is being treated as a separate and independent local government unit.

**Government-Wide and Fund Financial Statements** – The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements** – The Statement of net position and statement of activities report information on all of the nonfiduciary activities of the District.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's government activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipient of the goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** – Separate financial statements are provided for government funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the District at a more detailed level (and to demonstrate legal compliance). The focus of government fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other government funds. The fiduciary funds are reported by type.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Real and personal property taxes (excluding motor vehicle taxes), charges for current services and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. The District recorded real and personal property taxes levied for the current year as revenue. Taxes receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were recorded as deferred revenue, with a corresponding reduction in revenues, as required by generally accepted accounting principles. In addition, prior period delinquent taxes collected in the current period were recorded as revenue in the current period as required by generally accepted accounting principles. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major government funds:

**General Fund** – The District’s primary operating fund which accounts for all financial resources of the District except those required to be accounted for in other funds.

**Transportation Fund** – To finance the maintenance and operation of district owned buses, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program.

**Bus Depreciation Fund** – To finance the replacement of buses and two-way radio equipment.

**Retirement Fund** – To account for the District’s contribution to social security, retirement systems, and unemployment compensation for its employees.

**Miscellaneous Programs Fund** – To account for miscellaneous grant funds.

Additionally, the District reports the following fund type:

**Private-Purpose Trust Funds** – These fiduciary funds account for the extracurricular activities of the District's students.

**Cash and Cash Equivalents and Investments** – The District's cash, except for the student extracurricular funds, is held by the County Treasurer and pooled with other County cash. The County directs the investment of money pursuant to the provisions of state statute. All District cash which is not necessary for short-term obligations is pooled for investment purposes.

The student extracurricular funds bank balance is entirely insured by FDIC.

Interest earned on pooled investments is distributed to each contributing entity and fund on a pro-rata basis. Authorized investments allowed by Section 20-9-213, MCA, include 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 or NCUA located in the State, or in a repurchase agreement, or with the State Unified Investment Program. Further, Section 7-6-202, MCA authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market funds if the fund meets certain conditions.

The District does not own specific identifiable investment securities in the pool, therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Cascade County deposits and investments is available from the Cascade County Treasurer's office.

**Receivables** – Property is assessed by the County division of the State Department of Revenue. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. Property taxes are assessed against the owner of record as of January 1<sup>st</sup> with the taxes generally being levied in August and billed as of November 1<sup>st</sup>. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are deferred only in the fund financial statements. The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are due in two payments, generally November 30 and May 31<sup>st</sup>. Unpaid taxes become delinquent on December 1<sup>st</sup> and June 1<sup>st</sup>. After three years of delinquency, the County may proceed to take title to the property and sell it to pay the taxes.

**Inventories** – Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained, however, they are not considered material.

**Capital Assets** – Capital assets, which include land, building and improvements, and machinery and equipment are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at the estimated fair market value at the date of donation. District policy defines capital assets as assets with an initial individual cost of \$5,000 or more with a useful life of more than one year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	15-50 Years
Machinery and Equipment	5-15 Years

**Compensated Absences** – Non-certified employees earn vacation leave at the rate of 15 days per year during the first ten years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is two times the maximum number of days earned annually. At termination, employees are paid for an accumulated vacation leave at the current rate of pay.

Non-certified employees earn sick leave at a rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of the accumulated sick leave is paid.

Certified employees earn 12 sick days per year. Maximum accumulated sick leave is limited to 240 days at the close of the school year. Upon termination, 25% of the accumulated sick leave is paid.

The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. In government funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year-end from future resources, not expendable available resources.

The District, in accordance with section 20-9-512, MCA, transfers money, within the adopted budget, (through an operating transfer) from the General Fund to maintain the Compensated Absences Fund. The purpose of this fund is to pay any accumulated sick leave and vacation leave that a non-teaching or administrative employee is entitled to upon termination of employment. The balance is restricted to 30% of the District's recorded liability for accumulated sick and vacation leave for non-teaching or administrative employees at June 30, 2014.

**Long-Term Obligations** – In the government-wide financial statements, long-term obligations are reported as liabilities on the statement of net assets.

**Fund Equity** – In the government-wide statements, equity is classified as net position and displayed in three components:

Net Investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, government fund equity is classified as fund balance. The following classifications describe the relative strength of the spending restraints:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of the constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed fund balance** - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**Assigned fund balance** - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget.

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS:**

The District participates in the Cascade County Treasurer's investment program. All of the District's funds, except for the student extracurricular funds, are pooled and invested in the County's investment pool. These pooled investments are recorded at cost. Interest earnings from the pooled investments are allocated to the District based on average month-end balances and are distributed monthly. Funds are withdrawn from the investment program as needed to pay warrants. It is not practical for the District to determine the market risk, investment risk, insurance coverage, or collateral for its share of the County's investments.

The student extracurricular funds are deposited in a checking account and are covered by FDIC insurance.

**NOTE 3: INTERFUND ACTIVITY:**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between government funds are eliminated in the statement of activities. Interfund transfers in the fund financial statements are reported as operating transfers within other financing sources/uses category.

**NOTE 4: CAPITAL ASSETS:**

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2014:

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Cost:				
Land	\$ 50,362	\$ -	\$ -	\$ 50,362
Buildings and Improvements	1,145,445	-	-	1,145,445
Machinery and Equipment	384,513	14,063	-	398,576
Total	<u>\$ 1,580,320</u>	<u>\$ 14,063</u>	<u>\$ -</u>	<u>1,594,383</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ (894,186)	\$ (22,353)	\$ -	(916,539)
Machinery and Equipment	(254,679)	(26,958)	-	(281,637)
Total	<u>\$ (1,148,865)</u>	<u>\$ (49,311)</u>	<u>\$ -</u>	<u>(1,198,176)</u>
Net Capital Assets				<u>\$ 396,207</u>

Depreciation expense was allocated to functions in the government-wide financial statements as follows:

Transportation	\$ 22,661
Unallocated, Primarily Building Depreciation	26,650
Total Depreciation Expense	<u>\$ 49,311</u>

**NOTE 5: DEFERRED INFLOWS OF RESOURCES:**

The balances shown as Deferred Inflows of Resources on the governmental funds balance sheet are amounts associated with imposed nonexchange revenue transactions for property taxes as of June 30, 2014.

**NOTE 6: GENERAL LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 67,689	\$ -	\$ (9,251)	\$ 58,438	\$ 14,662
Termination Benefits	14,560	6,500	(12,360)	8,700	7,032
Total	<u>\$ 82,249</u>	<u>\$ 6,500</u>	<u>\$ (21,611)</u>	<u>\$ 67,138</u>	<u>\$ 21,694</u>

**NOTE 7: TERMINATION BENEFITS:**

The District offered special termination benefits during 2014 to a maximum of one electing certified classroom teaching personnel meeting certain eligibility requirements. The special termination benefits allowed the eligible employee to retire and receive a one-time retirement incentive of \$6,500 to be paid in a lump sum on the last day of the teacher's 2013-14 contract. One eligible employee elected to take the benefit of \$6,500 which was paid in 2014. The benefit amount of \$6,500 was included in instruction in the 2014 government-wide financial statements.

The balance of Termination Benefits Payable on the Statement of Net Position relate to termination benefits payable from 2013.

**NOTE 8: FUND BALANCES:**

State law permits a reserve for operations in certain budgeted funds. The maximum reserve for operations permitted the District, which is a percentage of the subsequent year's budgeted expenditures, is as follows:

General Fund	10%
Transportation	20%
Retirement	35%
Adult Education	35%

State law permits the District to reserve the collection of protested and delinquent property taxes in the general fund.

**NOTE 9: RETIREMENT PLANS:**

The District participates in two statewide cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the state. Teaching employees (including principals and superintendents) are covered by the Teachers' Retirement System (TRS), and substantially all other District employees are covered by the Public Employees Retirement System (PERS). The plans are established by Montana Law and administered by the State of Montana.

Contributions are required and rates are determined by State law. The contribution rates, expressed as a percentage of covered payroll, for the fiscal year ended June 30, 2014 were:

	<u>PERS</u>	<u>TRS</u>	
Employer	7.80%	8.47%	
Employee	7.90%	8.15% <i>Tier 1</i>	8.15% <i>Tier 2</i>
State	0.37%	2.49%	

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

- Public Employees Retirement Division  
P.O. Box 200131  
Helena, MT 59620-0131  
Phone: 406-444-3154
  
- Teachers' Retirement Division  
P.O. Box 200319  
Helena, MT 59620-0319  
Phone: 406-444-3134

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

<u>Year Ending,</u>	<u>TRS</u>	<u>PERS</u>
June 30, 2012	\$ 63,759	\$ 21,773
June 30, 2013	72,865	25,017
June 30, 2014	99,023	25,034

**NOTE 10: RISK MANAGEMENT:**

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

The District participates in a statewide public risk pool, the Montana Schools Group Insurance Authority (MSGIA) Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of approximately 200 schools and educational cooperatives located within the State of Montana. The District pays premiums on an experience-rated basis calculated actuarially to spread and moderate the cost of claim losses to each member of the pool. MSGIA is considered a self-sustaining risk pool currently operating as a common risk management and insurance program for the member school districts. All school district participants are jointly and severally liable for the liabilities of this risk pool. Audited financial statements are available from MSGIA.

**NOTE 11: JOINT VENTURES:**

A joint venture is a legal entity or other organization created by a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control for the purpose of pooling resources and sharing costs, risks and rewards of providing goods or services to the venture participants.

The District is a member of the North Central Learning Resource Center Cooperative. The members of the Cooperative consist of school districts in Cascade County. The Cooperative is administrated by an advisory board appointed by member school districts. The Cooperative is a joint venture established to offer certain special education services to all handicapped students in

their fair share of the Cooperative budget. Complete financial statements for the North Central Learning Resource Center Cooperative can be obtained from the Cooperative.

**NOTE 12: COMMITMENTS AND CONTINGENCIES:**

The District had commitments outstanding in the form of encumbrances at year end totaling \$16,778. These encumbrances were primarily for supplies.

The following schedule displays encumbrances by major and nonmajor funds:

	<u>General Fund</u>	<u>Miscellaneous Programs Fund</u>	<u>Total Government Funds</u>
Assigned:			
Instruction	\$ 1,106	\$ 8,914	\$ 10,020
Support Services:			
General Administration	3,949	-	3,949
Operation and Maintenance	2,809	-	2,809
Total	<u>\$ 7,864</u>	<u>\$ 8,914</u>	<u>\$ 16,778</u>

**NOTE 13: SUBSEQUENT EVENTS:**

Accounting Standards Codification (ASC) No.855: Subsequent Events establishes general standards of accounting for and disclosures of events that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date.

In accordance with ASC No. 855, the District evaluated subsequent events through July 6, 2015, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.

VAUGHN SCHOOL DISTRICT NO. 74  
 CASCADE COUNTY  
 VAUGHN, MONTANA

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES-BUDGET AND ACTUAL  
 GENERAL, TRANSPORTATION AND RETIREMENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

	GENERAL FUND			TRANSPORTATION FUND			BUS DEPRECIATION FUND			RETIREMENT FUND			COMBINED	
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	ACTUAL	
<b>Revenues:</b>														
District Tax Levies	\$ 231,561	\$ 225,079	\$ (6,482)	\$ 35,811	\$ 34,878	\$ (933)	\$ 20,000	\$ 19,672	\$ (328)	\$ -	\$ -	\$ -	\$ 279,629	
Other District Revenue	34	-	(34)	-	-	-	-	-	-	-	-	-	-	
Investment Earnings	646	375	(271)	-	-	-	-	-	-	-	-	-	375	
Cascade County	-	647,467	-	24,233	19,281	(4,952)	-	-	-	140,517	138,101	(2,416)	157,382	
State of Montana	-	-	-	26,956	22,004	-	-	-	-	-	-	-	669,471	
Federal	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>879,708</b>	<b>872,921</b>	<b>(6,787)</b>	<b>87,000</b>	<b>76,163</b>	<b>(5,885)</b>	<b>20,000</b>	<b>19,672</b>	<b>(328)</b>	<b>140,517</b>	<b>138,101</b>	<b>(2,416)</b>	<b>1,108,857</b>	
<b>Expenditures:</b>														
<b>Current:</b>														
Instructional Services		556,331											556,331	
General Administration		18,928											18,928	
School Administration		82,504			15,589								98,093	
Business		29,656			6,616								36,272	
Operation and Maintenance		145,524			586								146,110	
Special Education		29,816			-								29,816	
Transportation		-			53,903								53,903	
Retirement and Insurance		-			-								16,949	
Extracurricular		16,949			-								16,949	
<b>Total Expenditures</b>	<b>879,708</b>	<b>879,708</b>	<b>-</b>	<b>87,000</b>	<b>76,694</b>	<b>(10,306)</b>	<b>69,727</b>	<b>69,727</b>	<b>(69,727)</b>	<b>150,000</b>	<b>126,053</b>	<b>(23,947)</b>	<b>1,082,455</b>	
Excess (Deficiency) of Revenues over Expenditures		(6,787)	(6,787)		(531)	4,421	(49,727)	19,672	69,399	(9,483)	12,048	21,531	24,402	
<b>Change in Encumbrances</b>		5,359											5,359	
<b>Net Change in Fund Balances</b>		(1,428)			(531)			19,672			12,048		29,761	
<b>Fund Balances, Beginning of Year</b>		62,592			13,099			49,727			39,483		164,901	
<b>Fund Balances, End of Year</b>		\$ 61,164			\$ 12,568			\$ 69,399			\$ 51,531		\$ 194,662	

See accompanying notes to budget and actual schedule.

**VAUGHN SCHOOL DISTRICT NO. 74  
CASCADE COUNTY  
VAUGHN, MONTANA**

**NOTES TO BUDGET AND ACTUAL SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

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State law requires the District to prepare budgets for certain funds – generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis of accounting. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law.

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

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. There were \$7,864 of encumbrances in 2014.

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

VAUGHN SCHOOL DISTRICT NO. 74  
 CASCADE COUNTY  
 VAUGHN, MONTANA  
 SCHEDULE OF ENROLLMENT  
 FOR THE YEAR ENDED JUNE 30, 2014

**Fall Enrollment**

- a. Pre-Kindergarten
- b. Kindergarten Full
- c. Kindergarten Part
- d. Grades 1-6
- e. Grades 7-8
- f. Total Elementary (add lines a thru e)

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0
High School District				
g. Grades 9 - 12				
h. 19 Year-olds included on line g				
i. Youth Challenge students included on line g				

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
9-12	0	0	0	0

**Winter Enrollment**

Elementary School District

- j. Pre-Kindergarten
- k. Kindergarten Full
- l. Kindergarten Part
- m. Grades 1-6
- n. Grades 7-8
- o. Total Elementary (add lines j thru n)

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0
High School District				
p. Grades 9 - 12				
q. 19 Year-olds included on line p				
r. Early Graduates (not included in p)				
s. Youth Challenge students included on line p				

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
9-12	0	0	0	0

**Spring Enrollment**

Elementary School District

- j. Pre-Kindergarten
- k. Kindergarten Full
- l. Kindergarten Part
- m. Grades 1-6
- n. Grades 7-8
- o. Total Elementary (add lines j thru n)

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
K-Full	0	0	0	0
K-Part	0	0	0	0
1-6	0	0	0	0
7-8	0	0	0	0
High School District				
p. Grades 9 - 12				
q. 19 Year-olds included on line p				
r. Early Graduates (not included in p)				
s. Youth Challenge students included on line p				

Part-time students:

Grade	Per Enrollment Reports			
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr
9-12	0	0	0	0

<b>Fall Per Enrollment Reports</b>	<b>Audit Per District Records</b>	<b>Difference</b>
0	0	0
14	14	0
0	0	0
87	87	0
17	17	0
118	118	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
		0	0	0
		0	0	0
		0	0	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0

<b>Winter Per Enrollment</b>	<b>Audit Per District</b>	<b>Difference</b>
0	0	0
14	14	0
0	0	0
87	87	0
18	18	0
119	119	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0

<b>Spring Per Enrollment</b>	<b>Audit Per District</b>	<b>Difference</b>
0	0	0
14	14	0
0	0	0
88	88	0
18	18	0
120	120	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0

<b>Audit Per District Records</b>				
<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>Difference</b>
0	0	0	0	0

VAUGHN SCHOOL DISTRICT NO. 74  
 CASCADE COUNTY  
 VAUGHN, MONTANA

STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - EXTRACURRICULAR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Fund Account Name</u>	<u>Balance 7/1/13</u>	<u>Revenues</u>	<u>Expend- itures</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/14</u>
Pop Account	\$ 4,273	\$ 4,234	\$ 3,856	\$ -	\$ 4,651
Student Council	61	2,147	1,220	-	988
Marquee Account	126	-	-	-	126
Band Account	105	-	-	-	105
Donation Account	207	-	-	-	207
All-Sport	3,506	2,588	1,673	(334)	4,087
Boys and Girls Basketball	-	1,149	1,458	309	-
Girls Volleyball	-	221	127	(94)	-
Boys and Girls Track	-	-	119	119	-
Playground	1,114	-	-	-	1,114
Technology	673	572	425	-	820
<b>Total</b>	<b>\$ 10,065</b>	<b>\$ 10,911</b>	<b>\$ 8,878</b>	<b>\$ -</b>	<b>\$ 12,098</b>



To the Board of Trustees  
Vaughn School District No. 74  
Cascade County  
Vaughn, Montana

**Douglas WILSON**  
and Company, PC

Randal J. Boysun, CPA  
Gerard K. Schmitz, CPA  
Michael A. Diekhans, CPA  
Myra L. Bakke, CPA

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Douglas N. Wilson, CPA  
Bruce H. Gaare, CPA  
Dixie L. Swanson, CPA

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Vaughn School District No. 74 (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 6, 2015.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Great Falls, Montana  
July 6, 2015

**VAUGHN SCHOOL DISTRICT NUMBER 74  
CASCADE COUNTY  
VAUGHN, MONTANA**

**SUMMARY SCHEDULE OF FINDINGS AND OTHER MATTERS  
JUNE 30, 2014**

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The following is a schedule of findings and other matters which arose during the audit of the year ended June 30, 2014:

**CURRENT YEAR**

None.

**PRIOR AUDIT FINDINGS**

None.