

AUGUSTA SCHOOL DISTRICT NO. 45

**LEWIS & CLARK COUNTY
AUGUSTA, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Augusta School District No. 45
 Lewis & Clark
 Augusta, Montana 59410

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Augusta School District No. 45
Lewis & Clark
Augusta, Montana 59410

ORGANIZATION

BOARD OF TRUSTEES

Will Barrett	Chair
Jason Mosher	Vice Chair
John Cobb	Trustee
Jason Levine	Trustee
Niki Carlbom	Trustee

OFFICIALS

Matthew Genger	Superintendent
Jamie Fuller	District Clerk
Marsha Davis/Katrina Chaney	County Superintendent
Leo Gallagher	County Attorney

Augusta Public Schools
School District No. 45, Lewis and Clark County
Augusta, Montana

Management Discussion and Analysis (MD&A)
June 30, 2014

The Business Manager of the Augusta School District has provided the management discussion and analysis to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ending June 30, 2014.

Using this Financial Report

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards 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 the 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** 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 of the following year.
- B. The **Statement of Activities** shows the amounts of program-specific and general school district revenues used to support the school district’s various functions.

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 the 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. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds used 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 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 extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

Budget- to –Actual Comparisons

The district’s original and final budgets were identical for the year ended June 30, 2014.

The budgetary comparison schedules show how actual expenditures compared to the original and final budget expenditures for the general fund.

The District as a Whole

Net position may serve over time as a useful indicator of a government’s financial position. In the district, assets exceeded liabilities by \$926,726 as of June 30, 2014.

Augusta School District No. 45
 Lewis & Clark County
 Augusta, Montana 59410
 For the Year Ended June 30, 2014

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities			
	2013	2014	CHANGE	% CHANGE
Current Assets	\$ 725,594	\$ 692,542	\$ (33,052)	-4.56%
Capital Assets, net	<u>605,407</u>	<u>568,980</u>	<u>(36,427)</u>	<u>-6.02%</u>
Total Assets	1,331,001	1,261,522	(69,479)	-5.22%
Current Liabilities	25,008	6,965	(18,043)	-72.15%
Long Term Liabilities	<u>254,027</u>	<u>327,831</u>	<u>73,804</u>	<u>29.05%</u>
Total Liabilities	279,035	334,796	55,761	19.98%
Net Position:				
Net Investment in Capital Assets	605,407	568,980	(36,427)	-6.02%
Restricted	443,099	467,657	24,558	5.54%
Unrestricted	<u>3,460</u>	<u>(109,911)</u>	<u>(113,371)</u>	<u>-3276.62%</u>
Total Net Position	1,051,966	926,726	(125,240)	-11.91%

CHANGES IN NET POSITION	Governmental Activities			
	2013	2014	CHANGE	% CHANGE
Revenues				
Program Revenues:				
Charges for Services	19,468	22,195	2,727	14.01%
Operating Grants	210,484	184,705	(25,779)	-12.25%
General Revenues:				
District Levies	473,892	495,870	21,978	4.64%
State Equalization	558,288	437,082	(121,206)	-21.71%
Other State Revenues	96,371	222,918	126,547	131.31%
County	127,279	143,715	16,436	12.91%
Interest	1,615	649	(966)	-59.81%
Other	34,704	11,231	(23,473)	-67.64%
Gain on sale of capital assets	-	2,752	2,752	100.00%
Total Revenues	1,522,101	1,521,117	(3,736)	-0.25%
Program Expenses				
Instructional Services	865,793	1,007,417	141,624	16.36%
Support Services	6,928	4,419	(2,509)	-36.22%
Educational Media Services	12,842	15,032	2,190	17.05%
General Administrative Services	210,111	220,060	9,949	4.74%
Operation & Maintenance Services	143,760	181,018	37,258	25.92%
Transportation Services	77,013	88,485	11,472	14.90%
School Food Services	83,127	82,921	(206)	-0.25%
Extracurricular	67,774	39,150	(28,624)	-42.23%
Unallocated Depreciation Expense *	<u>4,092</u>	<u>3,529</u>	<u>(563)</u>	<u>-13.76%</u>
Total Expenses	1,471,440	1,642,031	170,591	11.59%
Change in Net Position	50,661	(120,914)	(174,327)	

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Augusta School District No. 45
Lewis & Clark
Augusta, Montana 59410

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 Augusta School District No. 45 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Augusta School District No. 45 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 (pages 3-5) and the schedule of funding for other post-employment benefits other than pensions (pages 25) and budgetary comparison information (pages 26 - 29) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Augusta School District No. 45's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 30) and schedule of reported enrollment (page 31) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues, expenses and balances student activity funds and schedule of reported enrollment 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 April 24, 2015 on our consideration of Augusta School District No. 45 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 Augusta School District No. 45 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
April 24, 2015

Augusta School District No. 45
 Lewis & Clark County
 Augusta, Montana 59410

STATEMENT OF NET POSITION
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 667,995
Taxes Receivable	14,818
Due From Other Governments	<u>9,729</u>
Total Current Assets	<u>692,542</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>568,980</u>
Total Noncurrent Assets	<u>568,980</u>
Total Assets	<u>\$ 1,261,522</u>
LIABILITIES:	
Current Liabilities	
Due to Other Governments	\$ 2,322
Current Portions Compensated Absences	<u>4,643</u>
Total Current Liabilities	<u>6,965</u>
Noncurrent Liabilities:	
Long-Term Obligations	284,216
Compensated Absences	<u>43,615</u>
Total Noncurrent Liabilities	<u>327,831</u>
Total Liabilities	<u>334,796</u>
NET POSITION:	
Net investment in capital assets	568,980
Restricted	467,657
Unrestricted (Deficit)	<u>(109,911)</u>
Total Net Position	<u>926,726</u>
Total Liabilities and Net Position	<u>\$ 1,261,522</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
GOVERNMENT OPERATIONS					
Instructional Services	\$ 1,001,238	\$ 450	\$ 90,262	\$ -	\$ (910,526)
Support Services	4,419	-	-	-	(4,419)
Educational Media Services	15,032	-	-	-	(15,032)
General Administrative Services	220,060	6,180	-	-	(213,880)
Operation & Maintenance Services	187,197	-	-	-	(187,197)
Transportation Services	88,485	-	63,245	-	(25,240)
School Food Services	82,921	15,565	31,198	-	(36,158)
Extracurricular	39,150	-	-	-	(39,150)
Unallocated Depreciation Expense *	3,529	-	-	-	(3,529)
Total Governmental Activities	<u>1,642,031</u>	<u>22,195</u>	<u>184,705</u>	<u>-</u>	<u>(1,435,131)</u>
Total Primary Government	<u>\$ 1,642,031</u>	<u>\$ 22,195</u>	<u>\$ 184,705</u>	<u>\$ -</u>	<u>\$ (1,435,131)</u>
GENERAL REVENUES					
District Levies					495,870
State Equalization					437,082
Other State Revenues					222,918
County					143,715
Interest					649
Other					11,231
Gain loss on Sale of Assets					<u>2,752</u>
Total General Revenues					<u>1,314,217</u>
Change in Net Position					(120,914)
Net Position					
Beginning of the Year					1,051,966
Prior Period Adjustments					<u>(4,326)</u>
End of the Year					<u>\$ 926,726</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	MAJOR			Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Other Governmental Funds	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 215,498	\$ 78,089	\$ 374,408	\$ 667,995
Taxes Receivable	12,511	-	2,307	14,818
Due From Other Governments	-	46	9,683	9,729
Total Assets	\$ 228,009	\$ 78,135	\$ 386,398	\$ 692,542
LIABILITIES:				
Current Liabilities				
Due to Other Governments	-	-	2,322	2,322
Total Liabilities	-	-	2,322	2,322
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes Receivable	12,511	-	2,307	14,818
Total Deferred Inflows of resources	12,511	-	2,307	14,818
FUND BALANCE:				
Fund Balances:				
Restricted	-	78,135	381,769	459,904
Assigned	24,219	-	-	24,219
Unassigned:	191,279	-	-	191,279
Total Fund Balance	215,498	78,135	381,769	675,402
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 228,009	\$ 78,135	\$ 386,398	\$ 692,542

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 675,402
Governmental Capital Assets	568,980
Long-term Liabilities	
Long-Term Obligations	(284,216)
Compensated Absences	(48,258)
Unavailable Property Taxes Receivable	14,818
Net Position of Governmental Activities	\$ 926,726

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

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

	MAJOR			Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Other Governmental Funds	
REVENUES:				
District Levies	\$ 430,739	\$ -	\$ 83,999	\$ 514,738
Interest	303	-	346	649
Charges for Services	-	-	22,195	22,195
Other	3,675	500	7,055	11,230
County	-	-	175,046	175,046
State	677,543	-	38,467	716,010
Federal	-	60,599	36,766	97,365
Total Revenues	1,112,260	61,099	363,874	1,537,233
EXPENDITURES:				
Current				
Instructional Services	725,091	66,865	133,138	925,094
Support Services	4,173	-	246	4,419
Educational Media Services	12,580	780	1,672	15,032
General Administrative Services	165,472	-	54,588	220,060
Operation & Maintenance Services	143,017	-	32,886	175,903
Transportation Services	7,854	-	65,319	73,173
School Food Services	37,022	-	45,018	82,040
Extracurricular	38,092	-	1,058	39,150
Capital Outlay	5,000	-	5,000	10,000
Total Expenditures	1,138,301	67,645	338,925	1,544,871
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,041)	(6,546)	24,949	(7,638)
OTHER FINANCING SOURCES/USES				
Sale of Capital Assets	752	-	2,500	3,252
Fund Transfers In	-	-	15,036	15,036
Fund Transfers (Out)	(15,036)	-	-	(15,036)
Total Other financial Sources/Uses	(14,284)	-	17,536	3,252
NET CHANGES IN FUND BALANCES	(40,325)	(6,546)	42,485	(4,386)
FUND BALANCE:				
Beginning of the Year	252,932	85,161	339,290	677,383
Prior Period Adjustments	2,891	(480)	(6)	2,405
End of the Year	\$ 215,498	\$ 78,135	\$ 381,769	\$ 675,402

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

Augusta School District No. 45
Lewis & Clark County
Augusta, Montana 59410

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

Net Changes in Fund Balance		\$	(4,386)
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(18,868)
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Sale of Fixed Assets			(3,252)
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(39,196)		
(Increase) decrease in Other Post Employment Benefits	(69,250)		
(Increase) decrease in compensated absence liability	<u>1,286</u>		(107,160)
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	10,000		
Gain loss on sale of assets	<u>2,752</u>		<u>12,752</u>
Change in net position reported on the Statement of Activity		\$	<u>(120,914)</u>

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

Augusta School District No. 45
 Lewis & Clark County
 Augusta, Montana 59410

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 72,308	\$ 74,522
Total Assets	<u>72,308</u>	<u>74,522</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable		74,252
Due to Others		20
Other Current Liabilities	-	250
Total Liabilities	-	<u>74,522</u>
NET POSITION:		
Restricted for Endowment	30,256	
Restricted for Student Activities	<u>42,052</u>	
Total Net Position	<u>\$ 72,308</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 61,784
Contributions to Endowment	<u>21,986</u>
Total Additions	<u>83,770</u>
DEDUCTIONS:	
Expenses of Student Activities	62,658
Student Scholarships	<u>8,900</u>
Total Deductions	<u>71,558</u>
CHANGE IN NET POSITION	12,212
NET POSITION:	
Beginning of the Year	61,768
Prior Period Adjustments	<u>(1,672)</u>
End of the Year	<u>\$ 72,308</u>

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

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Augusta School District No. 45 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following:

- GASB Statement No. 61 - The Financial Reporting Entity, which amended GASB Statement No. 14 and No. 34. The amendment amended the criteria for reporting component units. This statement did not represent a change in the School District's reporting entity.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The statement eliminated the need for state and local governments to reference the use of the Financial Accounting Standards Board (FASB) and place all sources of generally accepted accounting principles for state and local governments in a single source.
- GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which revised the terminology for financial reporting from “net assets” to “net position” and introduced “deferred outflows/deferred inflows” terminology. There is no effect on the financial statements only a terminology change.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement made changes in major fund determination and the use of the term “deferred”. For the School District deferred property taxes are reported as an element of deferred inflows of resources.
- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

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

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

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

AUGUSTA SCHOOL DISTRICT NO. 45

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

The Augusta School District No. 45 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Augusta School District No. 45 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

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

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

1. b. 2 FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes.

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

Trust and agency fund financial statements report using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

AUGUSTA SCHOOL DISTRICT NO. 45

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

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

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

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements the general fund also includes the activities of the flexibility fund since the restrictions on those funds are similar to the general fund.
- Elementary Miscellaneous Fund – This fund is used to account for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.

1. b. 3 OTHER FUND TYPES

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

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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

1. c. 1 CASH AND INVESTMENTS

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

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

1. c. 2 TAXES

Property tax levies are set connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

AUGUSTA SCHOOL DISTRICT NO. 45

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

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

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	25 – 50 years
Improvements other than buildings	20 years
Machinery and Equipment	8 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 12 days of sick leave at the beginning of each year. Unused sick leave will be accruable to 100 days. Upon termination, 25% of accumulated sick leave is paid at the employee's current salary.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$4,643 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

AUGUSTA SCHOOL DISTRICT NO. 45

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

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

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 9,235	\$ 24,219
Operations and Maintenance	11,648	0
Student Transportation	147,184	0
School Food	6,842	0
Third Party Grantor Restrictions	131,787	0
Employer Retirement Benefits	61,572	0
Future Technology	4,860	0
Future Capital Costs	86,776	0
Total	<u>\$ 459,904</u>	<u>\$ 24,219</u>

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

1. d. OTHER

1. d. 1 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of 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.

1. d. 2 COUNTY PROVIDED SERVICES

The School District is provided various financial services by Lewis & Clark County. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the Lewis & Clark County Treasurer. No service charges have been recorded by the School District or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 667,995</u>	<u>\$ 146,830</u>	<u>\$ 814,825</u>

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

AUGUSTA SCHOOL DISTRICT NO. 45

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

	<u>Amount</u>
Demand Accounts	\$ 42,052
County Investment Pool	<u>772,773</u>
Total	<u>\$ 814,825</u>

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

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

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Lewis & Clark and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$2,773,917 for the Elementary School District and \$3,014,197 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	83.84	\$ 7,065
Transportation	9.92	808
Bus Depreciation	5.94	443
Building Reserve	0.00	17
<u>High School Fund</u>		
General*	64.52	5,446
Transportation	8.23	633
Bus Depreciation	5.25	391
Building Reserve	0.00	15
Total	<u>177.70</u>	<u>\$ 14,818</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Retirement	\$ 1,080	Lewis & Clark County	County retirement contribution
Miscellaneous*	46	Department of Education	Federal grants
<u>High School Fund</u>			
Retirement	1,029	Lewis & Clark County	County retirement contribution
Miscellaneous	369	Department of Education	Federal grants
Traffic Education	<u>7,205</u>	State of Montana	State traffic education grants
Total	<u>\$ 9,729</u>		

* Denotes Major Funds

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Depreciable:</u>					
Buildings	\$ 760,366	\$ 0	\$ 0	\$ 0	\$ 760,366
Improvements other than buildings	20,386	0	0	(11,256)	9,130
Machinery and equipment	445,378	10,000	(9,500)	0	445,878
Total Depreciable	<u>\$ 1,226,130</u>	<u>\$ 10,000</u>	<u>\$ (9,500)</u>	<u>\$ (11,256)</u>	<u>\$ 1,215,374</u>
<u>Accumulated Depreciation:</u>					
Buildings	\$ (346,560)	\$ (10,579)	\$ 0	\$ 0	\$ (357,139)
Improvements other than buildings	(4,105)	(456)	0	0	(4,561)
Machinery and equipment	(270,058)	(28,161)	9,000	4,525	(284,694)
Total Depreciation	<u>\$ (620,723)</u>	<u>\$ (39,196)</u>	<u>\$ 9,000</u>	<u>\$ 4,525</u>	<u>\$ (646,394)</u>
Net General Capital Assets	<u>\$ 605,407</u>	<u>\$ (29,196)</u>	<u>\$ (500)</u>	<u>\$ (6,731)</u>	<u>\$ 568,980</u>

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 8,180
Operation & Maintenance	11,294
Transportation	15,312
School Food	881
Unallocated	3,529
Total Depreciation Expense	<u>\$ 39,196</u>

NOTE 6. DUE TO OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due To</u>	<u>Reason</u>
Retirement	\$ 1,161	Big Sky Special Needs Coop	District contribution
<u>High School Fund</u>			
Retirement	1,161	Big Sky Special Needs Coop	District contribution
Total	<u>\$ 2,322</u>		

NOTE 7. CHANGES IN LONG-TERM DEBT

At June 30, 2014, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 49,544	\$ 0	\$ (1,286)	\$ 48,258	\$ 4,643
Other Post-Employment Benefits (OPEB)	214,966	69,250	0	284,216	0
Total Other Liabilities	<u>\$ 264,510</u>	<u>\$ 69,250</u>	<u>\$ (1,286)</u>	<u>\$ 332,474</u>	<u>\$ 4,643</u>

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 8. DEFERRED INFLOWS OF RESOURCES

8.a PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 7,065	Taxes Receivable
Transportation	808	Taxes Receivable
Bus Depreciation	443	Taxes Receivable
Building Reserve	17	Taxes Receivable
<u>High School Fund</u>		
General*	5,446	Taxes Receivable
Transportation	633	Taxes Receivable
Bus Depreciation	391	Taxes Receivable
Building Reserve	15	Taxes Receivable
Total	<u>\$ 14,818</u>	

* Denotes Major Funds

NOTE 9. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
Miscellaneous*	\$ (480)	Correction of prior Title I reported revenues
<u>High School Fund</u>		
General*	2,895	Adjustment to prior year ANB
General*	(4)	Correction of prior year tax revenue
Building Reserve	(6)	Correction of prior year tax revenue
Total	<u>\$ 2,405</u>	
* Denotes Major Funds		
Governmental Type Activities	(11,256)	Correction of historical asset value
Governmental Type Activities	4,525	Correction of prior year accumulated depreciation
Total	<u>\$ (4,326)</u>	
Fiduciary Funds	(217)	To include COBRA fund as an agency fund
Governmental Type Activities	(1,455)	Correction of prior year expenditures
Total	<u>\$ (1,672)</u>	

NOTE 10. TRANSFERS

<u>Elementary Fund - From</u>	<u>Amount</u>	<u>Elementary Fund - To</u>
General*	\$ 3,222	Building Reserve - Allowable safety transfer
<u>High School Fund - From</u>		<u>High School Fund - To</u>
General*	11,814	Building Reserve - Allowable safety transfer
Total	<u>\$ 15,036</u>	

* Denotes Major Funds

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. The implicit subsidy is \$8,446 per member and \$16,891 per member and spouse. The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 100% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established. Funding status and progress as of July 1, 2014 was as follows:

AUGUSTA SCHOOL DISTRICT NO. 45

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

Actuarial Accrued Liability (AAL)	\$ 284,216
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>284,216</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,126,309
UAAL as a percentage of covered payroll	25.23%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2014.

Annual Required Contribution (ARC)	\$ 69,250
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	69,250
Contribution made	<u>0</u>
Increase in net OPEB obligation	69,250
Net OPEB obligation - beginning of year	<u>214,966</u>
Net OPEB obligation - end of year	<u>\$ 284,216</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.66%
Average Salary Increase	1.98%
Health care cost rate trend	
Year	% Increase
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 12. OTHER COMMITMENTS

12.a ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 5,956
<u>High School Fund</u>	
General*	<u>18,263</u>
Total	<u>\$ 24,219</u>

* Denotes Major Funds

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

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

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

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

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.doa.state.mt.us	Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/doa/perb/prb.htm
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The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 103,883	\$ 101,799	\$ 116,215
PERS	<u>21,214</u>	<u>22,071</u>	<u>23,992</u>
Total	<u>\$ 125,097</u>	<u>\$ 123,870</u>	<u>\$ 140,207</u>

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 15. COOPERATIVE

15. a. SPECIAL EDUCATION

The Augusta School District No. 45 is a member of the Big Sky Special Needs Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Augusta School District No. 45, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Pondera County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

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

15.b. OTHER COOPERATIVE AGREEMENTS

The Augusta School District No. 45 is a member of the Golden Triangle Curriculum Cooperative. The Cooperative is comprised of 52 member districts, each of which contributes to the operating costs of the Cooperative. Annual membership dues of \$3,620 were paid in fiscal year 2014. The designated administrators for the project are the Superintendent and the Director of Curriculum, Shelby Public Schools. The purpose of the Cooperative is to design curriculum for member districts.

NOTE 16. SIGNIFICANT CONSTRUCTION COMMITMENTS

Augusta School District is working with engineers to upgrade the school well and water lines as well as upgrading the electrical system of the school building. The school expects to spend between \$25,000 and \$35,000 for this project in fiscal year 2015.

AUGUSTA SCHOOL DISTRICT NO. 45

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
7/1/2009	\$ -	\$ 255,839	\$ 255,839	0%	\$ 793,116	32.3%
7/1/2012	\$ -	\$ 284,216	\$ 284,216	0%	\$ 1,126,309	25.2%

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

	General (Elem)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 232,583	\$ 232,583	\$ 234,654	\$ -	\$ -	\$ -
Interest	428	428	147	-	-	-
Other	37	37	661	-	-	1,320
State	<u>293,108</u>	<u>293,108</u>	<u>293,108</u>	<u>994</u>	<u>994</u>	<u>994</u>
Total Revenues	<u>526,156</u>	<u>526,156</u>	<u>528,570</u>	<u>994</u>	<u>994</u>	<u>2,314</u>
EXPENDITURES:						
Current						
Instructional Services			369,431			-
Support Services			1,506			-
Educational Media Services			6,290			-
General Administrative Services			68,294			-
Operation & Maintenance Services			52,365			-
Transportation Services			1,765			-
Retirement & Insurance Services			-			-
School Food Services			18,446			-
Extracurricular			838			-
Capital Outlay			<u>4,000</u>			-
Total Expenditures	<u>526,156</u>	<u>526,156</u>	<u>522,935</u>	<u>12,412</u>	<u>12,412</u>	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,635</u>	<u>(11,418)</u>	<u>(11,418)</u>	<u>2,314</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			-			376
Fund Transfers (Out)			<u>(3,222)</u>			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(3,222)</u>	<u>-</u>	<u>-</u>	<u>376</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>2,413</u>	<u>(11,418)</u>	<u>(11,418)</u>	<u>2,690</u>
FUND BALANCE:						
Beginning of the Year			87,307			11,418
Prior Period Adjustments			-			-
End of the Year			<u>\$ 89,720</u>			<u>\$ 14,108</u>

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

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

	General (HS)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 194,496	\$ 194,496	\$ 196,085	\$ -	\$ -	\$ -
Interest	515	515	156	-	-	-
Other	3,433	3,433	374	-	-	1,320
State	<u>382,430</u>	<u>382,430</u>	<u>382,429</u>	<u>1,012</u>	<u>1,012</u>	<u>1,012</u>
Total Revenues	<u>580,874</u>	<u>580,874</u>	<u>579,044</u>	<u>1,012</u>	<u>1,012</u>	<u>2,332</u>
EXPENDITURES:						
Current						
Instructional Services			300,295			-
Support Services			2,667			-
Educational Media Services			6,290			-
General Administrative Services			97,178			-
Operation & Maintenance Services			90,652			-
Transportation Services			6,089			-
Retirement & Insurance Services			-			-
School Food Services			18,576			-
Extracurricular			37,254			-
Capital Outlay			<u>14,699</u>			-
Total Expenditures	<u>585,515</u>	<u>585,515</u>	<u>573,700</u>	<u>23,625</u>	<u>23,625</u>	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,641)</u>	<u>(4,641)</u>	<u>5,344</u>	<u>(22,613)</u>	<u>(22,613)</u>	<u>2,332</u>
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets			-			376
Fund Transfers (Out)			<u>(11,814)</u>			-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(11,814)</u>	<u>-</u>	<u>-</u>	<u>376</u>
NET CHANGES IN FUND BALANCES	<u>(4,641)</u>	<u>(4,641)</u>	<u>(6,470)</u>	<u>(22,613)</u>	<u>(22,613)</u>	<u>2,708</u>
FUND BALANCE:						
Beginning of the Year			65,709			22,613
Prior Period Adjustments			<u>2,891</u>			-
End of the Year			<u>\$ 62,130</u>			<u>\$ 25,321</u>

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

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 GENERAL BUDGET POLICIES:

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

1. a. 2 BUDGET OPERATION:

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

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

NOTE 2. FUND BALANCE RECONCILIATION

The total fund balances of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances (GAAP Basis) is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$24,219. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the GAAP basis statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve for fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The original budget was not amended so the original budget and the final budget are the same.

AUGUSTA SCHOOL DISTRICT NO. 45

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

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund (Elem)</u>	<u>Sub-fund General Fund (HS)</u>	<u>Sub-fund Flexibility Fund (Elem)</u>	<u>Sub-fund Flexibility Fund (HS)</u>	<u>Total General Fund</u>
REVENUES:					
District Levies	\$ 234,654	\$ 196,085	\$ 0	\$ 0	\$ 430,739
Interest Earnings	147	156	0	0	303
Other	661	374	1,320	1,320	3,675
State Sources	<u>293,108</u>	<u>382,429</u>	<u>994</u>	<u>1,012</u>	<u>677,543</u>
Total Revenues	<u>\$ 528,570</u>	<u>\$ 579,044</u>	<u>\$ 2,314</u>	<u>\$ 2,332</u>	<u>\$ 1,112,260</u>
EXPENDITURES:					
Instructional Services	382,726	342,365	0	0	725,091
Support Services	1,506	2,667	0	0	4,173
Educational Media	6,290	6,290	0	0	12,580
General Administrative	68,294	97,178	0	0	165,472
Operation & Maintenance	52,365	90,652	0	0	143,017
Transportation	1,765	6,089	0	0	7,854
School Food	18,446	18,576	0	0	37,022
Extracurricular	838	37,254	0	0	38,092
School Food	<u>4,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
Total Expenditures	<u>\$ 536,230</u>	<u>\$ 602,071</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,138,301</u>
OTHER FINANCING (USES)					
Sale of Capital assets	0	0	376	376	752
Fund Transfers (out)	(3,222)	(11,814)	0	0	(15,036)
Net Changes In Fund Balance	(10,882)	(23,027)	2,690	2,708	(40,325)
FUND BALANCE:					
Beginning of the Year	106,558	112,343	11,418	22,613	252,932
Prior Period Adjustment	<u>0</u>	<u>2,891</u>	<u>0</u>	<u>0</u>	<u>2,891</u>
Ending of the Year	<u>\$ 95,676</u>	<u>\$ 80,393</u>	<u>\$ 14,108</u>	<u>\$ 25,321</u>	<u>\$ 215,498</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general funds and flexibility funds because they are reported as major funds and have legally adopted budgets. The following major fund is not reported because the miscellaneous fund is a non-budgeted special revenue fund.

Augusta School District No. 45
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

Activity Account Name	Beginning Balance	Revenues	Expenses	Transfers	Ending Balance
Athletics	1,227	10,960	11,363	(155)	669
Augusta Open BB	1,065	2,135	2,301	(405)	494
Basketball fundraisers	118	-	-	-	118
Biology club	135	-	-	-	135
BPA	132	17,114	15,600	200	1,846
Cheerleading	441	279	134	-	586
Class of 2014	5,299	1,495	5,245	155	1,704
Class of 2015	1,540	6,054	2,765	(149)	4,680
Class of 2016	1,036	618	389	-	1,265
Class of 2017	200	-	24	-	176
Culture fund	8,294	3,035	1,024	-	10,305
Drama	222	-	-	-	222
Home Ec Fund	11	-	-	-	11
Honor Society	208	1	-	-	209
HOSA	3,656	206	1,882	-	1,980
In and Out	7,030	12,202	14,389	-	4,843
Library Book fund	985	2	-	-	987
Missoula Childrens Theater	1,456	3	-	-	1,459
Music	-	10	24	14	-
Music Fundraisers	4,143	680	45	(14)	4,764
Planner Money	220	-	-	-	220
Playground Fund	409	-	-	-	409
Shop Fees	902	1,110	1,235	-	777
Student Council	1,936	4,033	4,356	354	1,967
Track restoration	93	-	-	-	93
VICA	938	460	798	-	600
Year Book fund	1,165	1,452	1,084	-	1,533
Total	<u>\$ 42,861</u>	<u>\$ 61,849</u>	<u>\$ 62,658</u>	<u>\$ -</u>	<u>\$ 42,052</u>

AUGUSTA SCHOOL DISTRICT NO. 45

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	9	9	0
Grade 1 - 6	41	41	0
Grade 7 - 8	<u>16</u>	<u>16</u>	<u>0</u>
Total	<u>66</u>	<u>66</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>26</u>	<u>26</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	9	9	0
Grade 1 - 6	40	40	0
Grade 7 - 8	<u>15</u>	<u>15</u>	<u>0</u>
Total	<u>64</u>	<u>64</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>25</u>	<u>25</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	9	9	0
Grade 1 - 6	37	37	0
Grade 7 - 8	<u>16</u>	<u>16</u>	<u>0</u>
Total	<u>62</u>	<u>62</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>25</u>	<u>25</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Augusta School District No. 45
Lewis & Clark
Augusta, Montana 59410

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Augusta School District No. 45 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Augusta School District No. 45's basic financial statements and have issued our report thereon dated April 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Augusta School District No. 45'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Augusta School District No. 45'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 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 Or schedule of findings and responses as items 2014-001.

Augusta School District No. 45's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's 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.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
April 24, 2015

SCHEDULE OF FINDINGS AND RESPONSES

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

Prior year findings:

- 13-1 Accounts Payable and Expenditures for the High School Miscellaneous Programs Fund (Repeat from FY12)
This finding has been implemented
- 13-2 Student Activity Internal Controls (Repeat from FY12)
This finding has been repeated as finding 2014-002 below
- 13-3 Segregation of Duties (Repeat from FY12)
This finding has not been repeated
- 13-4 Management's Discussion and Analysis (Repeat from FY12)
This finding has been implemented

2014-001 – Bus Depreciation Compliance

Criteria:

Montana law specifies that depreciation for purposes of the Bus Depreciation fund budget cannot exceed 20% of the original cost of an asset in a single year and cannot exceed 150% of the original cost of an asset in total accumulated depreciation.

Condition:

Two Buses are listed in the elementary and high school budgets are listed at higher than original value as shown in the following table:

<u>Value in Elementary budget</u>	<u>Value in High School Budget</u>	<u>Total value in budgets</u>	<u>Original purchase price</u>	<u>Difference</u>
\$29,000	\$29,000	\$58,000	\$29,000	\$29,000
\$29,072	\$29,072	\$58,144	\$31,358	\$26,786

In addition to being listed at double the original purchase price, the \$29,000 asset has been depreciated more than the 20% limit in the current year and both assets have exceeded the overall 150% limit.

Effect:

Due to the higher value shown on the budget document over the actual original cost, the budget document appears to be in compliance with both assets when the assets are actually out of compliance as shown in the following table:

<u>Recalculated value</u>	<u>20% limit</u>	<u>Current year depreciation</u>	<u>Difference</u>	<u>150% limit</u>	<u>Current year accumulated depreciation</u>	<u>Difference</u>
<i>Elementary budget</i>						
\$14,500	\$2,900	\$5,800	(\$2,900)	\$21,750	\$40,600	(\$18,850)
\$15,679	\$3,136	\$2,907	n/a	\$23,519	\$31,979	(\$8,460)
<i>High School budget</i>						
\$14,500	\$2,900	\$5,137	(\$2,237)	\$21,750	\$43,500	(\$21,750)
\$15,679	\$3,136	\$2,907	n/a	\$23,519	\$31,979	(\$8,460)

Context:

The value of the assets listed in the budget document is a recurring error. The School previously took no depreciation in the bus depreciation fund budgets in fiscal year 2013 as correction to the amounts over levied in previous years. However, the value of the assets was not corrected and the error was therefore repeated in fiscal year 2014.

Cause:

The original cost listed on the budget document for both the elementary and high school budgets are incorrect.

Recommendation:

We recommend correcting the original cost of the assets on the elementary and high school budgets to ensure compliance with the 150% accumulated depreciation law in the future.

Auditee Response:

The clerk has contacted OPI for a recommendation on how to fix the over depreciation. OPI has recommended that we under depreciate the current busses until the \$26,442 over depreciation amount has been offset. As our 14-15 Budget has already been set these changes will show effective on the 15-16 Budget. The other bus was removed from our depreciation schedule for the 14-15 year.

2014-002 – Student Activity Receipting:

Criteria:

Student activity receipting controls at a minimum should emphasize documentation of what is expected to be collected along with separation of cash and checks.

Condition:

In review of the receipts for student activities, we found that the amount of cash and checks is not always specified on the documentation included with the deposit. In addition, adequate documentation for donations, sales, gate receipts and school trips is not maintained.

Effect:

Internal controls over cash receipts are weakened when there is not a process in place for the accounting function to verify that the proper amount of receipts are being deposited.

Context:

Currently, controls at the school require only that a deposit be made to the secretary and a receipt is issued for the deposit at that point. There is not currently a requirement for further documentation from the Teacher or activity sponsor to support the amount being turned in to the secretary.

Cause:

In the sample of receipts we tested, we found the following items did not have adequate documentation:

1. Gate receipt did not show documentation of the number of tickets sold or the price per ticket.
2. Various miscellaneous sales (such as BPA) did not show documentation of what was sold, prices and specify cash and checks received.
3. School activities (such as prom) did not show a listing of students attending with amount paid per student and a breakdown of cash and checks received.

Recommendation:

We recommend that all receipts turned into the District office include documentation of what was expected to be received along with a breakdown of cash and checks. Documentation should be signed by the person making the deposit.

Auditee Response:

The clerk is implementing a "deposit verification of goods sold" form that will be used for all receipts turned into the district office. Both the clerk and secretary will be more diligent in making sure that documentation is turned in with the money being receipted.