

LEWISTOWN SCHOOL DISTRICT NO. 1

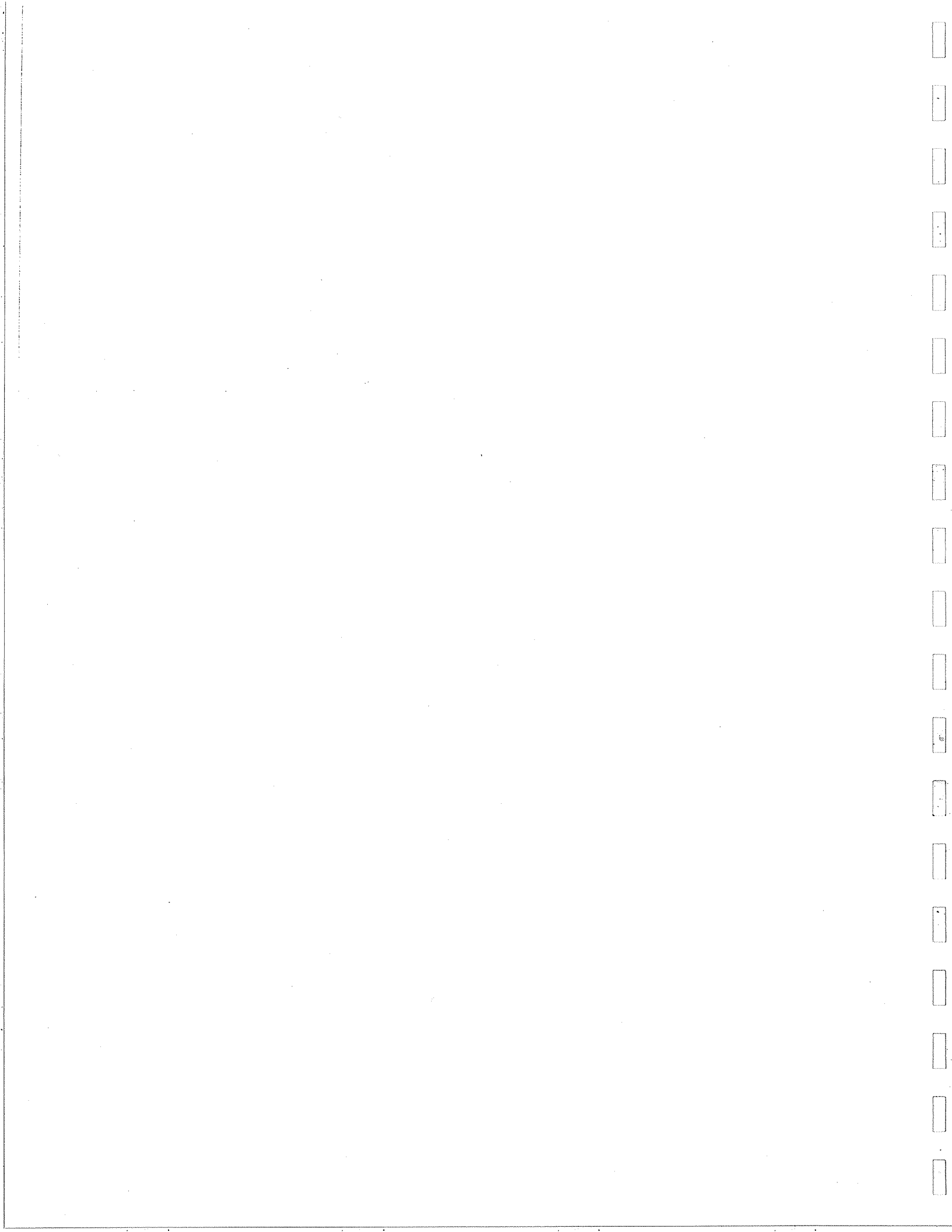
**FERGUS COUNTY
LEWISTOWN, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2013

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**



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

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
INDEPENDENT AUDITOR'S REPORT	6 - 7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Funds and a Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14 - 23
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Funds	24
Notes to the Budget and Actual Schedule	25
SUPPLEMENTAL SCHEDULES:	
Schedule of Reported Enrollment	26
Schedule of Revenues, Expenditures, and Fund Balances Expendable Trust - Extracurricular Funds	27 - 28
Schedule of Expenditures of Federal Awards	29 - 30
INDEPENDENT AUDITOR'S REPORTS:	
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"	31 - 32
Report on Compliance with Requirements Applicable to each Major Program And Internal Control Over Compliance with OMB Circular A-133	33 - 34
Schedule of Findings and Questioned Costs	35

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

ORGANIZATION

BOARD OF TRUSTEES

Stan Monger	Chair
Barb Thomas	Vice Chair
Jeremy Bristol	Trustee
Joe Irish	Trustee
Jennifer Thompson	Trustee
Phil Koterba	Trustee
Monte Weeden	Trustee

OFFICIALS

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

**Lewistown Public Schools
Management Discussion and Analysis (MD&A)
For The Year Ended June 30, 2013**

The Business Manager of the Lewistown Public Schools has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2013.

Using This Financial Report

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

Reporting the School District as a Whole

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

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

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

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

Reporting the District's Most Significant Funds

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

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

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

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

Reporting the District's Trust and Fiduciary Responsibilities

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

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

Budget-to-Actual Comparisons

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

THE DISTRICT AS A WHOLE

Net Position serve over time as a useful indicator of a school district's financial position. In the Lewistown Public Schools, assets exceeded liabilities by \$11,188,714 as of June 30, 2013. Approximately 42% of the district's net position reflect its investment in capital assets (e.g. land, land improvements, buildings and improvements, and machinery and equipment).

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

Governmental Activities	FY 2013	FY 2012
Current and other assets	8,424,862	8,326,033
Capital assets	<u>6,768,821</u>	<u>6,964,360</u>
Total Assets	15,193,683	15,290,393
Current liabilities	97,039	161,098
Non-current liabilities	<u>3,907,930</u>	<u>3,588,277</u>
Total Liabilities	4,004,969	3,749,375
Net Investment in		
Capital Assets	4,681,571	6,080,782
Restricted	7,233,556	920,058
Unrestricted	<u>(726,413)</u>	<u>4,540,179</u>
Total Net Position	11,188,714	11,541,019

**Lewistown Public Schools
Changes in Net Position**

GENERAL REVENUES

Charges for Services	731,280	599,490
Operating Grants	1,448,920	1,486,158
District Levy	3,470,966	3,705,934
State Equalization	3,295,090	3,269,356
Other State Revenue	2,756,670	2,614,670
County	911,162	938,673
Federal	0	3,834
Investment Earning	43,417	66,377
Gain on Asset	117,294	208,278
Other	<u>122,401</u>	<u>126,908</u>
Total General Revenue	\$12,897,200	13,019,677

GOVERNMENT OPERATIONS

Instruction	6,463,052	6,366,291
Support	645,494	485,972
Media	535,112	495,871
Administration	1,738,616	1,718,540
O & M	1,690,410	1,702,992
Transportation	821,464	853,590
Extracurricular	247,298	297,508
School Food	714,608	650,138
Other Current Charges	41,351	18,143
OPEB	347,146	294,526
Depreciation - unallocated	<u>4,954</u>	<u>1,185</u>
Total Operations	\$13,249,505	12,884,755

Capital Assets

As of June 30, 2013, the District had invested over \$6 million in capital assets including land and land improvements, buildings and improvements, and machinery and equipment. General capital assets are reported at historical cost. Historical cost was established at the initial booking of capital assets by determining actual costs or estimating using standard costing procedure. The District's capital asset policy is set to include items of \$5,000 and a useful life in excess of one year. The following schedule presents capital balances with accumulated depreciation as of June 30, 2013.

Land and Improvements	1,056,843
Accumulated Depreciation	(733,433)
	323,410
Buildings and Improvements	10,989,265
Construction in Progress	0
Accumulated Depreciation	(5,906,328)
	5,082,937
Machinery and Equipment	3,211,532
Accumulated Depreciation	(2,293,833)
	917,699

The District's Future

Although state law enables districts to use three-year average enrollment when calculating budgets, the District will continue to feel the effects of lower student population—even though enrollment seems to have leveled off. There is growing need for services for special students, as that population continues to grow. The current Lewistown Collective Bargaining Agreement extends through FY14, and included a 1% (FY13) and 2% (FY14) raise for all employees. The demographics of the District may change as we see the average age for staff continue to increase. Future retirements could have an effect on the budgets and the dynamics of the District.

The district also faces other challenges and decisions including:

- The Lewistown Board of Trustees chose to request a High School levy for increased operating funds to the voters last spring, which was passed narrowly by voters. Due to failed attempts in the past the Board is very conscientious in what they ask of taxpayers. Given the community's reluctance to approve higher taxes, the Board must weigh the merits of pursuing future levy requests.
- The District estimates that general building repairs and maintenance in excess of \$10 million will be necessary over the next several years. The overwhelming failure of a 0% interest bond election to build a new middle school in September 2010 indicates that the community will take a conservative approach to these needed repairs.
- The Lewistown Airport Board recently renewed the District's year-to-year lease for the bus barn property. However, the Airport Board has clearly indicated that the District should make plans for relocating its bus barn operations. To this end, the District levied \$250,000 in 2009, 2010, 2011, and 2012 in an attempt to begin saving for the possibility of moving the bus barn operations.
- The Trustees and teacher's union will begin the negotiation process in December. The two groups must agree to terms that are fiscally responsible, but promote the recruitment and retention of quality instructional staff.

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

Contact for Additional Information

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



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 5 and 24 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 1's basic financial statements. The accompanying schedule of reported enrollment and schedule of end of year revenues and expenses student activity funds on pages 26 and 27 - 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 29 and 30 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of State, Local Governments, and Non-Profit organizations," and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2014 on our consideration of Lewistown School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lewistown School District No. 1's internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
February 6, 2014

Lewistown School District No. 1
Fergus County
Lewistown, Montana

STATEMENT OF NET POSITION
as of June 30, 2013

	<u>Governmental Activities</u> <u>2013</u>
ASSETS:	
Current Assets:	
Cash & Investments	7,891,859
Taxes Receivable	305,092
Due From Other Governments	183,693
Inventory	43,036
Prepaid Expenses	<u>1,184</u>
Total Current Assets	<u>8,424,862</u>
Non-current Assets:	
Land/Construction in Progress	444,775
Other Capital Assets(Net)	<u>6,324,046</u>
Total Non-current Assets	<u>6,768,821</u>
Total Assets	<u>15,193,683</u>
LIABILITIES	
Current Liabilities:	
Unearned Revenue	16,439
Compensated Absences	<u>80,600</u>
Total Current Liabilities	<u>97,039</u>
Non-current Liabilities:	
Compensated Absences	589,956
Bonds Payable	2,087,250
Other Post Employment Benefits	<u>1,230,724</u>
Total Non-current Liabilities	<u>3,907,930</u>
Total Liabilities	<u>4,004,969</u>
NET POSITION:	
Net Investments in Capital Assets	4,681,571
Restricted	7,233,556
Unrestricted	<u>(726,413)</u>
Total Net Position	<u>11,188,714</u>

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

Lewistown School District No. 1
Fergus County
Lewistown, Montana

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Program Revenue			Net (Expense) Revenue 2013
	Charges for Services	Operating Grants		
Expenses				
GOVERNMENT OPERATIONS				
Instruction	6,463,052	260,557	900,263	(5,302,232)
Support	645,494	0	2,212	(643,281)
Media	535,112	0	62,415	(472,698)
Administration:	1,738,616	92,321	0	(1,646,295)
O & M	1,690,410	16,710	1,682	(1,672,018)
Transportation	821,464	0	230,986	(590,477)
Extracurricular	247,298	0	0	(247,298)
School Food	714,608	361,691	251,362	(101,555)
Other Current Charges	41,351	0	0	(41,351)
Other Post Employment Benefits	347,146	0	0	(347,146)
Depreciation-unallocated	<u>4,954</u>	<u>0</u>	<u>0</u>	<u>(4,954)</u>
Totals	<u>13,249,505</u>	<u>731,280</u>	<u>1,448,920</u>	<u>(11,069,306)</u>
GENERAL REVENUES				
District Levy				3,470,966
State Equalization				3,295,090
Other State Revenue				2,756,670
County				911,162
Investment Earnings				43,417
Gain on Asset				117,294
Other				<u>122,401</u>
Total General Revenues				<u>10,717,001</u>
CHANGE IN NET POSITION				(352,305)
NET POSITION				
Beginning of the Year				<u>11,541,019</u>
End of the Year				<u>11,188,714</u>

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

Lewistown School District No. 1
Fergus County
Lewistown, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
as of June 30, 2013

	MAJOR			Other	
	General	TRANS EL	DEBT SER EL	Government	
	Fund	Fund	Fund	Funds	Total
ASSETS:					
Cash and Investments	951,778	946,018	1,175,459	4,818,604	7,891,859
Taxes Receivable	221,083	31,770	9,559	42,680	305,092
Receivable From Other Funds	2,006	0	0	0	2,006
Due From Other Governments	0	0	0	183,693	183,693
Inventories	0	0	0	43,036	43,036
Prepaid Expenses	0	0	0	1,184	1,184
Total Assets	1,174,867	977,787	1,185,018	5,089,196	8,426,868
LIABILITIES:					
Payable to Other Funds	0	0	0	2,006	2,006
Unearned Grant Revenue	0	0	0	5,936	5,936
Total Liabilities	0	0	0	7,942	7,942
Deferred inflows of resources					
Deferred property taxes	221,083	31,770	9,559	42,680	305,092
Unavailable Unearned Income	0	0	0	10,503	10,503
Total Deferred inflows of resources	221,083	31,770	9,559	53,183	315,595
FUND BALANCE:					
Fund Balances:					
Nonspendable	0	0	0	43,036	43,036
Restricted	0	946,018	1,175,459	4,985,035	7,106,512
Committed	154,191	0	0	0	154,191
Unassigned	799,593	0	0	0	799,593
Total Fund Balance	953,784	946,018	1,175,459	5,028,070	8,103,331
Total Liabilities and Fund Balance	1,174,867	977,787	1,185,018	5,089,196	8,426,868
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Total fund balance reported above			8,103,331		
Add capital assets not reported above		15,702,415			
Less accumulated depreciation		(8,933,594)	6,768,821		
Less liabilities not reported above:					
Compensated absences		(670,556)			
Bonds Payable		(2,087,250)			
Other Post Employment Benefits		(1,230,724)	(3,988,530)		
Unearned revenues for taxes receivable recognized as revenue in the government-wide statement of net position				305,092	
Net Position			11,188,714		

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

Lewistown School District No. 1
 Fergus County
 Lewistown, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	MAJOR			Other	
	General	TRANS EL	DEBT SER EL	Government	
	Fund	Fund	Fund	Funds	Total
REVENUES:					
District Levies	2,499,050	347,673	117,465	466,797	3,430,986
Interest	9,179	5,470	1,393	27,375	43,417
Other	6,184	0	0	116,218	122,401
County	0	78,173	0	948,004	1,026,178
State	6,183,326	108,520	137,043	197,623	6,626,512
Federal	0	0	0	759,153	759,153
Charges for Services	0	0	0	731,280	731,280
Total Revenues	<u>8,697,740</u>	<u>539,836</u>	<u>255,901</u>	<u>3,246,449</u>	<u>12,739,926</u>
EXPENDITURES:					
Instructional Services	5,141,786	0	0	1,357,439	6,499,225
Support Services	351,506	0	0	293,324	644,831
Educational Media Services	319,855	0	0	222,428	542,283
General Administrative Services	1,298,767	52,761	0	386,903	1,738,430
Operation & Maintenance Services	1,282,274	6,026	500	89,245	1,378,045
Transportation Services	46,882	365,977	0	242,873	655,733
Extracurricular	239,040	0	0	27,361	266,401
School Food Services	104,148	0	0	599,988	704,135
Other Current Charges	0	0	0	35,175	35,175
Total Current Outlays	8,784,258	424,763	500	3,254,737	12,464,258
Capital Outlay	<u>57,081</u>	<u>25</u>	<u>0</u>	<u>278,308</u>	<u>335,414</u>
Total Expenditures	<u>8,841,339</u>	<u>424,788</u>	<u>500</u>	<u>3,533,044</u>	<u>12,799,672</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	(143,599)	115,048	255,401	(286,595)	(59,746)
OTHER FINANCING SOURCES/USES					
Sale of Fixed Assets	0	0	0	117,086	117,086
NET CHANGES IN FUND BALANCES	(143,599)	115,048	255,401	(169,509)	57,340
FUND BALANCE:					
Beginning of the Year	<u>1,097,383</u>	<u>830,970</u>	<u>920,058</u>	<u>5,197,580</u>	<u>8,045,991</u>
End of the Year	<u>953,784</u>	<u>946,018</u>	<u>1,175,459</u>	<u>5,028,070</u>	<u>8,103,331</u>

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

Lewistown School District No. 1
Fergus County
Lewistown, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Excess of revenues over expenditures as reported in the governmental funds statement		57,340
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable	39,980	
Gain on Asset	<u>208</u>	40,188
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(531,161)	
(Increase) decrease in Other Post Employment Benefits	(347,146)	
(Increase) decrease in compensated absence liability	<u>30,569</u>	(847,738)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays	335,414	
Payment on Retirement Incentive	<u>62,491</u>	<u>397,905</u>
Change in net position reported on the Statement of Activity		<u>(352,305)</u>

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

Lewistown School District No. 1
Fergus County
Lewistown, Montana

STATEMENT OF FIDUCIARY NET ASSETS AND STATEMENT OF
CHANGES IN FIDUCIARY NET ASSETS
As of June 30, 2013

	<u>Private Purpose</u> <u>Trust Funds</u>
Assets	
Cash	293,139
Other Assets	<u>13,380</u>
Total Assets	<u>306,519</u>
Liabilities	
Total Liabilities	<u>0</u>
Net Assets	
Held in Trust for Endowment	109,314
Held in Trust for Student Activities	<u>197,205</u>
Total Net Assets	<u>306,519</u>

CHANGES IN FIDUCIARY NET ASSETS

Additions	
Contributions to Endowment	526
Revenue from Student Activities	<u>410,850</u>
Total Additions	<u>411,376</u>
Deductions	
Expenses of Student Activities	<u>399,173</u>
Total Deductions	<u>399,173</u>
Changes in Net Assets Held in Trust	12,203
Net Assets, Beginning of the Year	<u>294,316</u>
Net Assets, Ending of the Year	<u>306,519</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.a REPORTING ENTITY

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

During fiscal year 2013 the District implemented the following GASB statements:

1. 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 District's reporting entity.
2. 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.
3. 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.
4. GASB 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 District deferred property taxes are reported as an element of deferred inflows of resources.

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

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

1.b BASIS OF PRESENTATION AND ACCOUNTING

1.b.1 GOVERNMENT-WIDE STATEMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 (1) charges for services such as school lunch fees and facility rental fees and (2) operating grants that are restricted to a particular functional program. Property taxes, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1.b.2 FUND ACCOUNTING

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-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. Deferred revenues and unavailable unearned income are recorded in governmental funds for delinquent taxes and prepaid lunches at year end. Expenditures are recorded when the related fund liability is incurred except for compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

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

GASB Statement No. 34 requires that 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. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds. The following funds are major funds of Lewistown School District No. 1:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Elementary Transportation Fund – This fund is used to account for the accumulation of funds set aside for payment of student transportation costs to and from school. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.

Elementary Debt Service Fund – This fund is used to account for the accumulation of funds set aside for the payment of G.O. Bond Debt.

1.b.3 Other Fund Types:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.c1 Inventories:

Food is carried in an inventory account at average cost and is subsequently charged to expenditures when consumed.

1.c2 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 school districts to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

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

1.c3 Taxes:

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

1.c4 Capital Assets:

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

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

1.c5 Vacation and sick leave:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 \$ 80,600 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2013 was \$670,556.

1.c6 Net Position and Fund Balance

Statement of Net Position include the following: Net Investments 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 Net Position invested in Capital Assets.

Governmental fund financial statements include the following fund balances: Non-spendable - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. Committed – 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, 2013, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>
Instructional - regular	\$ 0	\$ 781,300	\$ 154,191
Operations and Maintenance	0	1,435,472	0
Student Transportation	0	1,385,108	0
School food	43,036	35,131	0
Third party grantor restrictions	0	661,093	0
Employer retirement benefits for all qualified staff	0	638,893	0
Future Technology	0	113,203	0
Future Capital Costs	0	880,853	0
Debt service	0	1,175,459	0
Grand Total	<u>\$ 43,036</u>	<u>\$ 7,106,512</u>	<u>\$ 154,191</u>

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of the District are held and managed by the Fergus County treasurer. They are combined with cash resources of other governmental entities within Fergus County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of Repurchase Agreements, Money Markets, and STIP and are carried at fair value. At June 30, 2013 the carrying amount of deposits was \$6,944,332. This includes \$95,934 in endowment funds. An additional \$1,043,624 is held separately from the County in a bond sinking fund. These funds are being held by the bank to pay the QZAB bonds discussed in note 8.a.

The cash of the extracurricular funds is held separately by the school district, not at the county, and is covered by FDIC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3. RECEIVABLES

3.a MILL LEVIES

The assessed value of the roll as of January 1, 2012, upon which the levy for the 2013 fiscal year was based, was \$12,030,406 for the elementary district and \$12,993,086 for the high school district. The tax rates assessed for the year ended June 30, 2013 to finance District operations were for the elementary and high school districts as follows:

<u>Fund</u>	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
General	132.50	71.52	204.02
Transportation	28.82	4.72	33.54
Tuition	0	.08	.08
Adult Education	0	6.93	6.93
Technology	5.11	4.17	9.28
Debt Service	9.79	0	9.79
Building Reserve	8.15	7.54	15.69
Grand Total	<u>184.37</u>	<u>94.96</u>	<u>279.33</u>

3.b TAXES RECEIVABLE

<u>Fund</u>	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
General	\$ 141,759	\$ 79,324	\$ 221,083
Transportation	31,770	14,838	46,608
Bus Depreciation	264	138	402
Tuition	5	186	191
Adult Education	0	5,356	5,356
Technology	4,445	3,692	8,137
Debt Service	9,559	6	9,565
Building Reserve	7,079	6,671	13,750
Grand Total	<u>\$ 194,881</u>	<u>\$ 110,211</u>	<u>\$ 305,092</u>

3.c DUE FROM OTHER GOVERNMENTS

<u>School / Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
Elementary – School Food	\$ 2,958	State of Montana – State matching funds
Elementary - Miscellaneous	158,539	State of Montana – Title I Part A
High School – Miscellaneous	10,680	State of Montana – Carl Perkins
High School – Traffic Education	11,516	State of Montana – per pupil reimbursement
District Total	<u>\$ 183,693</u>	

3.d DUE FROM OTHER FUNDS

<u>Fund</u>	<u>Amount</u>	<u>Due From / Reason</u>
High School – General	\$2,006	High School-Miscellaneous – to correct coding

NOTE 4. CAPITAL ASSETS

The value and changes to the capital assets for June 30, 2013 are as follows:

	<u>CAPITAL ASSETS</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
COST Non-Depreciable:				
Land	\$444,775	\$0	\$0	\$444,775
CIP	158,759	0	158,759	0
Total Non-Depreciable	<u>\$603,534</u>	<u>\$0</u>	<u>\$158,759</u>	<u>\$444,775</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciable:

Land Improvements	\$1,049,343	\$7,500	\$0	\$1,056,843
Buildings	10,838,007	151,258	0	10,989,265
Major Equipment	<u>2,993,668</u>	<u>335,623</u>	<u>117,759</u>	<u>3,211,532</u>
Total	<u>\$14,881,018</u>	<u>\$494,381</u>	<u>\$117,759</u>	<u>\$15,257,640</u>

ACCUMULATED DEPRECIATION:

Land Improvements	\$(688,611)	\$(44,822)	\$0	\$(733,433)
Buildings	(5,639,002)	(267,326)	0	(5,906,328)
Major Equipment	<u>(2,192,579)</u>	<u>(219,013)</u>	<u>117,759</u>	<u>(2,293,833)</u>
Total	<u>\$(8,520,192)</u>	<u>\$(531,161)</u>	<u>\$117,759</u>	<u>\$(8,933,594)</u>

Depreciation was charged to the district's programs as follows:

Instructional	\$27,568
Media	2,800
School Administration	12,084
Operation & Maintenance	309,837
Transportation	166,500
School Food	3,375
Extracurricular	4,043
Unallocated	4,954
Total	<u>\$531,161</u>

NOTE 5. RISK MANAGEMENT

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

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

NOTE 6. CURRENT LIABILITIES

6.a DUE TO OTHER FUNDS

<u>School / Fund</u>	<u>Amount</u>	<u>Due to / Reason</u>
High School - Miscellaneous	\$2,006	High School-General - to correct coding

6.b UNEARNED GRANT REVENUE

<u>School / Fund</u>	<u>Amount</u>	<u>Reason</u>
Elementary-Miscellaneous	\$ 500	School Breakfast Grant
High School-Miscellaneous	5,436	State of Montana - Graduation Matters
Total	<u>\$ 5,936</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2011, 2012 and 2013 were equal to the required contribution for each year. The amounts contributed by the State, District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
TRS	\$974,934	\$941,778	\$959,635
PERS	<u>226,522</u>	<u>220,199</u>	<u>238,109</u>
Total	<u>\$1,201,456</u>	<u>\$1,161,977</u>	<u>\$1,197,744</u>

NOTE 8. CHANGES IN LONG TERM DEBT

8.a QZAB BONDS

The elementary district issued QZAB general obligation bonds in fiscal year 2009 for the repair of the middle school roof and replacement of a heating and ventilation system in elementary school buildings. QZAB bonds are direct obligations and pledge the full faith and credit of the District. These bonds all mature in 8 years. The elementary district will make annual payments to a sinking fund with the U.S. Bank of \$260,906. The first payment was made in June 2010. Interest is earned on the sinking fund at 2%, which is the same interest rate of the bonds. Therefore, when the bonds mature in 8 years, the sinking fund will have the total payment. The amount outstanding is the total value of the bonds sold. The cash in the sinking fund is shown in the total cash held by the District. Interest earned on the sinking funds is added to the total available to pay the bonds when they come due. Cash in the sinking fund at June 30, 2013 is \$1,043,624 and is shown as part of the elementary debt service fund. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Elementary Issue Date</u>	<u>Original Term</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Retired</u>	<u>Amount Outstanding June 30, 2013</u>
6/09	8 years	\$ 2,087,250	2%	\$ 0	\$ 2,087,250

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The repayment schedule includes interest of \$ 114,801. Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended
6/30:

	<u>Principal</u>	<u>Interest</u>
2014	240,034	20,872
2015	234,815	26,091
2016	229,597	31,309
2017	<u>224,379</u>	<u>36,529</u>
Totals	<u>\$ 928,825</u>	<u>\$ 114,801</u>

8.b RETIREMENT INCENTIVCE

In February 2010, the District offered certified teachers a one-time incentive to retire as of June 30, 2010. The incentive offered \$500 per month for each teacher, who accepted the offer, for a period of 33 months for a total liability of \$16,500 per teacher. The incentive was accepted by six. An additional three teachers agreed to retire in fiscal year 2011. In addition two teachers agreed to retire in fiscal year 2012. This incentive lapsed in March 2013. The changes in the retirement incentive liability are noted below.

8.c CHANGES IN LONG TERM DEBT

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Compensated Absences	\$701,125	\$0	\$30,569	\$670,556
Retirement Liability	62,491	0	62,491	0
Bonds Payable	2,087,250	0	0	2,087,250
OPEB	<u>883,578</u>	<u>347,146</u>	<u>0</u>	<u>1,230,724</u>
Total	<u>\$3,734,444</u>	<u>\$347,146</u>	<u>\$93,060</u>	<u>\$3,988,530</u>

NOTE 9.DEFERRED INFLOWS OF RESOURCES

9.a DEFERRED PROPERTY TAXES

<u>School / Fund</u>	<u>Amount</u>	<u>Reason</u>
Elementary-General	\$141,759	Taxes Receivable
Elementary-Transportation	31,770	Taxes Receivable
Elementary-Bus Depreciation	264	Taxes Receivable
Elementary-Tuition	5	Taxes Receivable
Elementary-Technology	4,445	Taxes Receivable
Elementary-Debt Service	9,559	Taxes Receivable
Elementary-Building Reserve	7,079	Taxes Receivable
High School-General	79,324	Taxes Receivable
High School-Transportation	14,838	Taxes Receivable
High School-Bus Depreciation	138	Taxes Receivable
High School-Tuition	186	Taxes Receivable
High School-Adult Ed	5,356	Taxes Receivable
High School-Technology	3,692	Taxes Receivable
High School-Debt Service	6	Taxes Receivable
High School-Building Reserve	<u>6,671</u>	Taxes Receivable
District Total	<u>\$305,092</u>	

9.b UNAVAILABLE UNEARNED INCOME

<u>School / Fund</u>	<u>Amount</u>	<u>Reason</u>
Elementary-Food Service	<u>10,503</u>	Prepaid Lunches

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. ENCUMBRANCES

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

<u>School / Fund</u>	<u>Amount</u>
Elementary-General	\$79,063
Elementary-Building Reserve	9,101
High School-General	<u>75,128</u>
District Total	<u>\$163,292</u>

NOTE 11. OPERATING LEASE

On 7/1/2012 the District entered into an annual lease with Lewistown Municipal Airport for the use of land for its bus barns. The lease was for one (1) year with payment of \$2,643. The lease is reviewed every year.

NOTE 12. COOPERATIVE

12.a. SPECIAL EDUCATION

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

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The District provides the same health care plan to all of its members. The implicit subsidy is \$5,496 per member and \$8,472 per member and spouse. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 45% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of June 30, 2013 was as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Annual Required Contribution (ARC)	\$347,146
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	347,146
Contribution made	<u>0</u>
Increase in net OPEB obligation	347,146
Net OPEB obligation - beginning of year	<u>883,578</u>
Net OPEB obligation - end of year	<u>\$1,230,724</u>

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

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	4.25%
Average Salary Increase	2.5%
Health care cost rate trend	
Year	% Increase
2014	8.5%
2015	8.0%
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021 and after	5.0%

NOTE 14. SUBSEQUENT EVENTS

In June 2013 the District signed a contract to have its student vocational education department build a house. The contract included the sale of the house for \$120,000.

Lewistown School District No. 1 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 Fergus County (Budget and Actual)
 Lewistown, Montana ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 for the Fiscal Year Ended June 30, 2013

	GENERAL FUND		TRANS EL FUND	
	Original & Final		Original & Final	
	Budget	Actual	Budget	Actual
REVENUES:				
District Levies	2,523,205	2,499,050	346,730	347,673
Interest Earnings	11,716	9,179	0	5,470
Other Local & District Sources	449	6,184	0	0
County Sources	0	0	80,300	78,173
State Sources	<u>6,183,326</u>	<u>6,183,326</u>	<u>110,000</u>	<u>108,520</u>
Total Revenues	<u>8,718,696</u>	<u>8,697,740</u>	<u>537,030</u>	<u>539,836</u>
EXPENDITURES:				
Instructional Services		4,957,348	0	0
Support Services		351,506	0	0
Educational Media Services		319,855	0	0
General Administrative Services		1,298,767	52,761	52,761
Operation & Maintenance Services		1,282,274	6,026	6,026
Transportation Services		46,882	1,081,214	365,977
Extracurricular		239,040	0	0
School Food Services		<u>104,148</u>	<u>0</u>	<u>0</u>
Total Current Outlays		8,599,820	1,140,000	424,763
Capital Outlay		<u>116,244</u>	<u>0</u>	<u>25</u>
Total Expenditures	<u>8,718,696</u>	<u>8,716,064</u>	<u>1,140,000</u>	<u>424,788</u>
NET CHANGES IN FUND BALANCE		(18,324)		115,048
BEGINNING FISCAL YEAR FUND BALANCE		<u>817,917</u>		<u>830,970</u>
ENDING FISCAL YEAR FUND BALANCE		<u>799,593</u>		<u>946,018</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of these statements.

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

NOTES TO THE BUDGET VS ACTUAL SCHEDULE

1.a BUDGETS

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

1.a1 General Budget Policies:

The School District's funds are either budgeted or nonbudgeted 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 nonbudgeted, 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 budgeted funds. The major fund, debt service is not included in the schedule because it is not a special revenue fund. The original budget was not amended so the original budget and the final budget are the same.

1.a2 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:

- (1) 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.
- (2) Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- (3) 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.
- (4) 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.
- (5) According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

1.b Fund Balance Reconciliation

The general fund – fund balance on the statement of revenue, expenditures, and changes in fund balances is different than the general fund – fund balance on the schedule of revenues, expenditures, and changes in fund balance (budget and actual) by \$154,191. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and establishes a reserve of fund balances for encumbrances on the GAAP balance sheet since they do not represent GAAP expenditures or liabilities.

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

SCHEDULE OF REPORTED ENROLLMENT
 Fiscal Year Ended June 30, 2013

	Reported Enrollment	Per Audit	Difference
FALL ENROLLMENT OCTOBER, 2011			
Kindergarten:	87	87	0
Grades 1 - 6:	530	530	0
Junior High:	<u>190</u>	<u>190</u>	<u>0</u>
Total Elementary:	<u>807</u>	<u>807</u>	<u>0</u>
High School:	344	344	0
Part-Time	2	2	0
19 Years Old	<u>2</u>	<u>2</u>	<u>0</u>
Total High School:	<u>348</u>	<u>348</u>	<u>0</u>
SPRING ENROLLMENT FEBRUARY, 2012			
Kindergarten:	89	89	0
Grades 1 - 6:	537	537	0
Part-Time	1	1	0
Junior High:	<u>191</u>	<u>191</u>	<u>0</u>
Total Elementary:	<u>818</u>	<u>818</u>	<u>0</u>
High School:	338	338	0
Part-Time	5	5	0
19 Year Old	<u>1</u>	<u>1</u>	<u>0</u>
Total High School:	<u>344</u>	<u>344</u>	<u>0</u>

LEWISTOWN SCHOOLS
END OF YEAR REVENUES & EXPENSES
STUDENT ACTIVITY FUND

June 30, 2013

Page 1 of 2

	BALANCE July 1, 2012	REVENUES	EXPENSES	BALANCE June 30, 2013
ANNUAL	9,394	9,010	9,547	8,857
A. P. TESTING	1,883	2,548	2,492	1,939
BAND	1,686	4,352	3,675	2,363
EAST MT JAZZ	0	2,275	2,079	196
BPA	1,218	12,566	12,424	1,360
CT MT MENTORS	265	0	0	265
CHEERLEADERS	6,916	14,150	12,598	8,468
CLAWS-HONOR SOCIETY	52	368	263	157
EAGLE RENAISSANCE	2,931	955	1,104	2,782
F CLUB	1,587	5,809	2,325	5,071
FERGUS NEWSPAPER	261	0	261	0
FFA	10,655	22,791	19,284	14,162
FCCLA	5,314	13,769	13,460	5,623
FLY FISHING	221	0	0	221
FOREIGN LANGUAGE	2,218	4,434	5,459	1,193
HOW CLUB	1,318	3	75	1,246
VICA	1,292	4,068	5,360	0
KEY CLUB	233	2,341	2,523	51
ART CLUB	661	1,877	1,339	1,199
SCIENCE CLUB	6,096	597	4,661	2,032
SKI CLUB	2,715	13,791	12,459	4,047
STUDENT COUNCIL	1,550	7,495	7,983	1,062
THESPIANS	2,510	0	89	2,421
TROPHY	2,280	0	0	2,280
VOCAL MUSIC	4,665	15,901	20,565	0
DISTRICT 8 MUSIC	2,722	7,244	8,586	1,380
WEIGHT CLUB	2,539	550	17	3,072
AP GOVT	0	26,873	25,495	1,378
CAREER FAIR	0	1,262	125	1,137
CLASS OF 2012	1,751	0	1,751	0
CLASS OF 2013	3,835	0	2,349	1,486
CLASS OF 2014	(14)	10,396	7,480	2,902
CLASS OF 2015	0	0	0	0
CLASS OF 2016	0	0	0	0
EXTRACURRICULAR	24,256	153,204	151,669	25,791
GIRLS SOFTBALL/BOYS XCOUNTRY	21,229	30,973	25,280	26,922
SUBTOTAL	124,239	369,602	362,777	131,064

LEWISTOWN SCHOOLS
END OF YEAR REVENUES & EXPENSES
STUDENT ACTIVITY FUND

June 30, 2013

Page 2 of 2

	BALANCE July 1, 2012	REVENUES	EXPENSES	BALANCE June 30, 2013
STUDENT ACTIVITIES	47,347	11,226	8,085	50,488
LC SERVICE COUNCIL	1,247	503	794	956
BUILDERS CLUB	355	0	0	355
CHEERLEADERS	423	874	500	797
CONSUMER TECH	502	2,860	3,087	275
FACS	26	2,648	2,147	527
BC, SC STORE	910	3,683	3,916	677
MUSIC	1,095	1,803	482	2,416
PHOTO CLUB	4,261	4,552	3,402	5,411
SERVICE LEARNING	783	0	214	569
SKI CLUB	1,645	8,298	8,671	1,272
STUDENT COUNCIL	1,219	713	1,304	628
NEWS	170	0	0	170
GIS CLUB	1,178	569	454	1,293
COMPUTER SERV LEARNING	129	0	0	129
FIELD TRIP/SKI DAY	0	3,517	3,342	175
TOTAL	<u>185,528</u>	<u>410,850</u>	<u>399,173</u>	<u>197,205</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013
Page 1 of 2

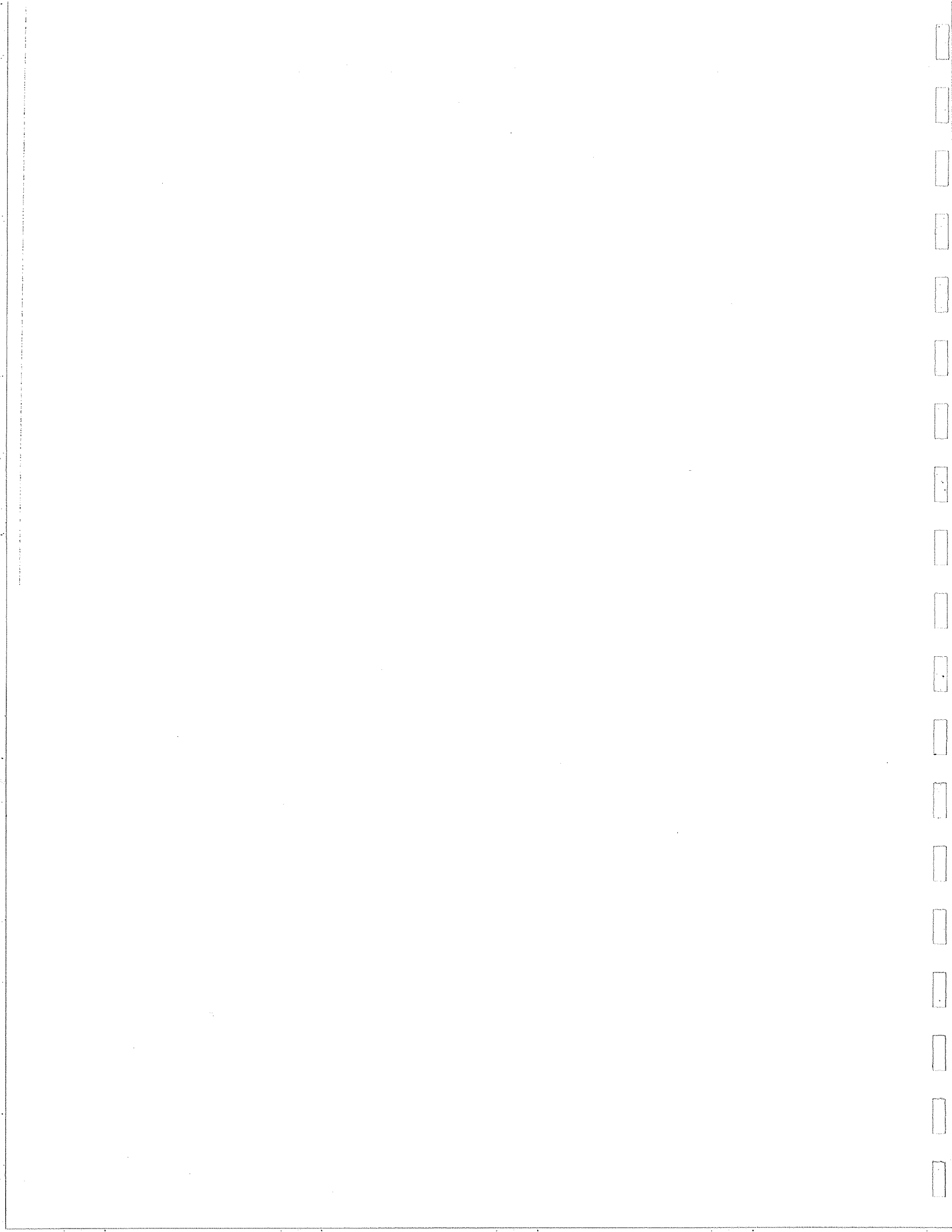
GRANTOR/PASS THROUGH GRANT AND PROGRAM TITLE	Pass Through or Grantor Contract #	CFDA Number	GRANT AWARD AMOUNT
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH STATE OF MONTANA OFFICE OF PUBLIC INSTRUCTION:			
Title I - School-wide	1402583100	84.010	\$ 419,781
Carl Perkins	1402598109BG	84.048A	19,376
Adult Basic Ed	1402595600BG	84.002	29,524
PASSED THROUGH STATE OF MONTANA CENTRAL MONTANA LEARNING RESOURCE CENTER:			
IDEA Part B	NA	84.027	55,498
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH STATE OF MONTANA OFFICE OF PUBLIC INSTRUCTION:			
NATIONAL SCHOOL LUNCH			
Cash Payments 1/		10.555	247,923
Commodities 2/		10.555	37,580

Notes: 1/ No separate funds or accounts maintained, district assumed first in first out for program monies.
2/ The commodities are not included in the basic financial statements.
3/ The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting which is described in note 1.b2.

Lewistown School District No. 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fergus County Fiscal Year Ended June 30, 2013
 Lewistown, Montana 59457 Page 2 of 2

GRANTOR/PASS THROUGH GRANT AND PROGRAM TITLE	Balance July 1, 2012	Revenues	Allowable Expenditures	Balance June 30, 2013
U.S. DEPARTMENT OF EDUCATION: PASSED THROUGH STATE OF MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Title I - Schoolwide	0	\$406,831	\$406,831	0
Carl Perkins	0	19,376	19,376	0
Adult Basic ED	0	29,524	29,524	0
PASSED THROUGH STATE OF MONTANA CENTRAL MONTANA LEARNING RESOURCE CENTER:				
IDEA Part B	0	55,498	55,498	0
TOTAL DEPT OF EDUCATION:	0	\$511,229	\$511,229	0
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH STATE OF MONTANA OFFICE OF PUBLIC INSTRUCTION:				
NATIONAL SCHOOL LUNCH				
Cash Payments 1/	0	\$247,923	\$247,923	0
Commodities 2/	0	37,580	37,580	0
TOTAL DEPT OF AGRICULTURE:	0	285,503	285,503	0
TOTAL FEDERAL PROGRAMS:	0	\$796,732	\$796,732	0

Notes: 1/ No separate funds or accounts maintained, district assumed first in first out for program monies.
 2/ The commodities listed above are not included in the basic financial statements.
 3/ The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting which is described in note 1.b2.



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lewistown School District No. 1's basic financial statements and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
February 6, 2014

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Lewistown School District No. 1's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Lewistown School District No. 1's major federal programs for the year ended June 30, 2013. Lewistown School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lewistown School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewistown School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lewistown School District No. 1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Lewistown School District No. 1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lewistown School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewistown School District No. 1's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
February 6, 2014

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unqualified opinion on Lewistown School District No. 1's financial statements as of and for the year ended June 30, 2013.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 1.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unqualified opinion on School District No. 1's compliance with major federal awards programs as of and for the year ended June 30, 2013.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Lewistown School District No. 1 for the year ended June 30, 2013 was CFDA # 84.010 Title 1.
8. The threshold used to distinguish between Type A and Type B programs was \$300,000. Lewistown School District No. 1 has CFDA# 84.010 Title 1 as a Type A programs.
9. This school district does qualify as a low risk audit client.

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

There were no findings or recommendations.

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

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

