



Independent Auditor's Report and
Financial Statements

Laurel Public School District No. 7 and 7-70
Yellowstone County
Laurel, Montana
June 30, 2014

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LAUREL PUBLIC SCHOOL DISTRICT NO. 7 AND 7-70

June 30, 2014

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ORGANIZATION BOARD OF TRUSTEES AND OFFICIALS

June 30, 2014

BOARD OF TRUSTEES

Doug Lebrun
Ken Kallem
Roy Voss
Mike Longbottom
Dale Ahrens
Justin Shovar
Kathy Herr

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Tim Bronk
Donnie McVee
Sherry Long
Scott Twito
Sherry Long

District Superintendent
Business Manager
County Superintendent of Schools
County Attorney
County Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

Our discussion and analysis of the district's financial performance provides an overview of the government's financial activities for the year ended June 30, 2014. Please read it in conjunction with our financial statements which begin on page 11.

FINANCIAL HIGHLIGHTS

Laurel School District's assets exceeded its liabilities by \$9,132,723 (net position). This amount is classified as net investment in capital assets, restricted or unrestricted net position. Total net position decreased by \$6,588,349 as a result of this year's operations.

Net investment in capital assets increased \$311,404 over the prior year due to new debt and related capital asset addition and depreciation.

Fund balance in the general fund increased \$241,146 in 2014 as a result of the settlement of the ongoing protest of CHS taxes.

General fund budgetary basis expenditures were more than prior year expenditures by \$873,007. The increase was primarily related to additional expenditures for salaries, benefits and maintenance. The salary and benefits cost increases were the result of previously negotiated agreements affecting salary schedules and health insurance contributions. The maintenance costs resulted from addressing items on the facilities needs list along with numerous other repair and furnishing issues.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements One of the most important questions asked about the government's finances is, "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities (pages 11 and 12) report information about the district as a whole and about our activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position and changes in them. You can think of net position—the difference between assets and liabilities—as one way to measure the district's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

Fund financial statements The fund financial statements (begins on page 13) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 14 and 16 respectively).

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

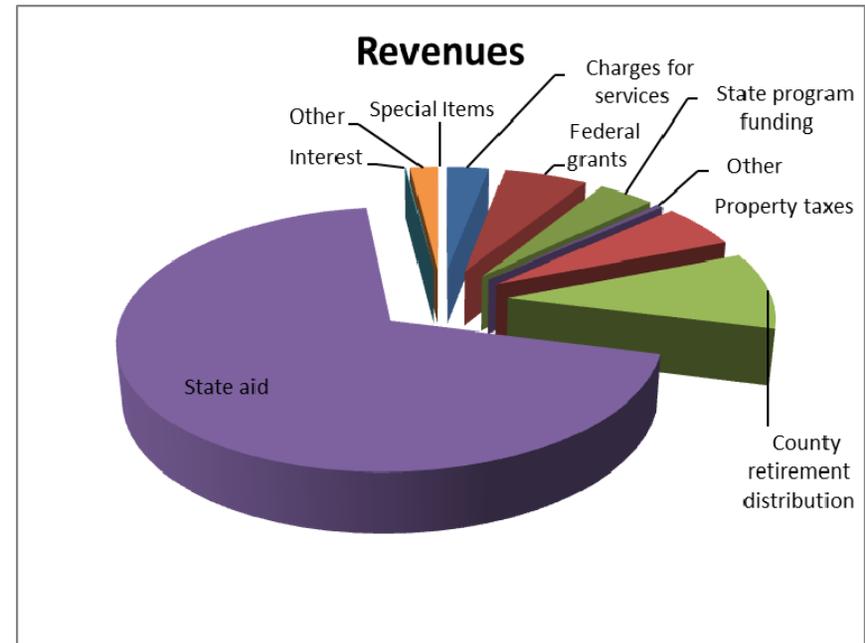
THE GOVERNMENT AS A WHOLE

The following net position and changes in net position schedules provide summaries of the district's activities:

	<u>2014</u>	<u>2013</u>
Net Position:		
Current assets	3,273,272	9,711,644
Capital assets - net	<u>22,114,453</u>	<u>22,826,273</u>
Total assets	<u>25,387,725</u>	<u>32,537,917</u>
Current liabilities	1,306,626	1,271,007
Non-current liabilities	<u>14,948,376</u>	<u>15,531,964</u>
Total liabilities	<u>16,255,002</u>	<u>16,802,971</u>
Net investment in capital assets	8,592,677	8,281,273
Restricted for:		
Compensated absences	53,403	0
Other fund activities	1,609,010	2,110,854
Debt Service	581,137	1,655,786
Capital Projects	328,680	1,278,911
Unrestricted	<u>(2,032,184)</u>	<u>2,408,122</u>
Total net position	<u>9,132,723</u>	<u>15,734,946</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

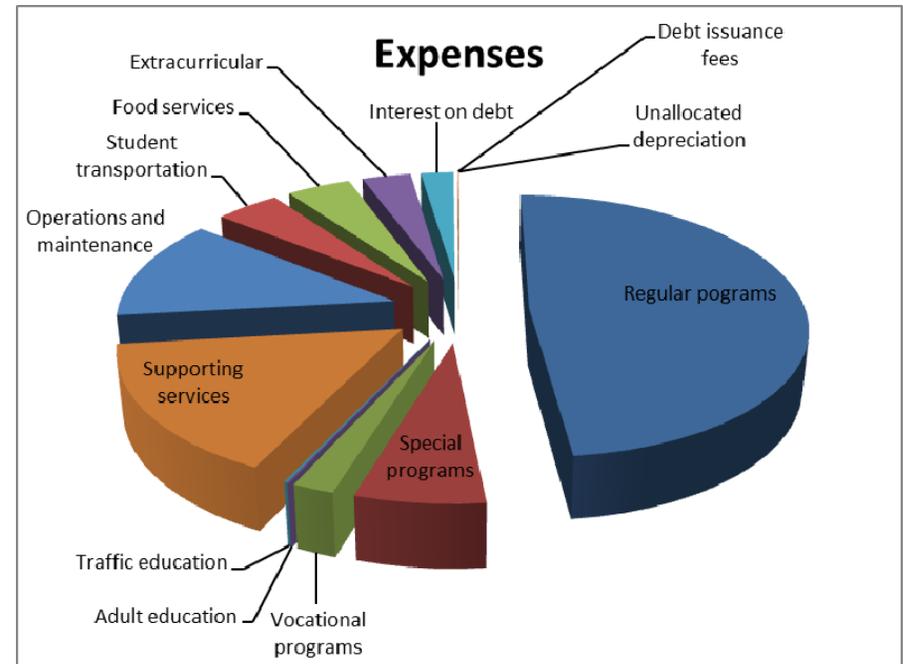
	2014	2013
Revenues:		
Program revenues:		
Charges for services	404,437	405,367
Federal grants	789,472	698,389
State program funding	539,800	1,082,972
Other	65,617	73,375
Total program revenues	<u>1,799,326</u>	<u>2,260,103</u>
General revenues:		
Property taxes	761,214	8,062,104
County retirement distribution	1,316,293	1,492,304
State aid	9,253,298	8,309,815
Interest	12,284	9,057
Other	261,363	266,161
Special Items	0	0
Total general revenues	<u>11,604,452</u>	<u>18,139,441</u>
Total Revenues	<u><u>13,403,778</u></u>	<u><u>20,399,544</u></u>



MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses:

	2014	2013
Regular programs	9,661,519	9,271,967
Special programs	1,289,267	1,439,397
Vocational programs	414,628	328,920
Adult education	16,335	27,302
Traffic education	29,011	0
Supporting services	3,231,155	2,719,274
Operations and maintenance	2,476,969	2,330,431
Student transportation	875,557	768,613
Food services	868,282	721,753
Extracurricular	660,325	560,620
Interest on debt	445,674	949,635
Debt issuance fees	12,178	0
Unallocated depreciation	11,227	1,208
Total expenses	19,992,127	19,119,120



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall revenues were decreased over the prior year primarily due to the settlement of the tax protest by CHS Refinery which resulted in a 10-20% reduction in their tax liability and a \$4,670,346 refund of taxes collected over a four year period. In addition, the timing of the 10% reduction settlement for the current year meant a loss of \$341,049 in tax collections with no means of recourse for the district.

Expenditures were increased over the prior year in most areas due to increases in wages, benefits, facilities repairs and maintenance. The District took advantage of the passage of SB348 allowing the district to transfer funds from the Elementary Bus Depreciation Fund to address safety issues in the elementary schools. These items included exterior door replacement at the middle school and camera systems at all elementary schools. The School Foods fund experienced significant increases in salaries and supplies. The mandatory reduction to reserves in the Retirement Funds equated to a large payment of funds to the Teacher Retirement System. Interest expense on debt was reduced due to the refunding of bonds in the prior year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, total assets, liabilities, revenues, or expenditures of an individual fund must be at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds. The General fund is always reported as a major fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The District's capital assets, net of accumulated depreciation, as of June 30, 2014 totaled \$22,114,453.

Debt Administration:

Currently there are no capital leases outstanding in the District. The remaining liabilities of the district, excluding the bond issues, are compensated absences (\$669,246), OPEB (\$2,012,970) and loans (\$186,776). Outstanding bonds total \$13,335,000.

The bonding capacity has increased slightly due to formula changes and increased taxable valuation. Net of outstanding debt the elementary district has bonding capacity of approximately \$14,542,830 and the high school of approximately \$18,153,890.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE GOVERNMENT'S FUTURE

The District continues to be reliant on the State to determine funding levels for the general fund from year to year. The elementary general fund is operating at 95% of the maximum cap for a district our size and the high school general fund is 96% of cap. Caps are determined by enrollment and the District has experienced continuing enrollment increases in all but one of the last seven years. That trend is expected to continue for the foreseeable future. The oil economy in the Bakken Oil Patch will have an impact on enrollment. Technology and building infrastructure in the district is a concern that will continue to require funding into the future.

Currently, Cenex Refinery's taxable valuation is approximately 45% of the taxable valuation of the District and has had a significant impact on the school's valuation. The success of the refinery has created more valuation and more debt capacity for the District which will help as more infrastructure is needed in the future. The Cenex Refinery has settled their current tax protest however, will continue to protest a percentage of their taxable valuation. A successful protest by Cenex will significantly impact the taxes of other taxpayers in the District and shift the burden of supporting the taxes being raised for schools. This could impact the school's ability to vote levies in the future if the voters of the District have significantly higher property taxes because of this shift in tax burden. Despite the protesting of taxes, increased taxable value has allowed the District to reduce the number of tax mills levied by 24.71, lowering the tax burden on the taxpayers.

CONTACT FOR FURTHER INFORMATION

If you have questions about this report or need additional information, contact the Superintendent or Business Manager/Clerk at the Laurel School District Administrative Office located at 410 Colorado Ave, Laurel MT 59044 or call 406-628-8623.

INDEPENDENT AUDITOR'S REPORT

February 20, 2015

Board of Trustees
Laurel Public School District No. 7 and 7-70
Yellowstone County
Livingston, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laurel Public School District No. 7 and 7-70, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Laurel Public School District No. 7 and 7-70's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Laurel Public School District No. 7 and 7-70's 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 Laurel Public School District No. 7 and 7-70, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurel Public School District No. 7 and 7-70's basic financial statements. The combining balance sheet – general fund, combining schedule of revenues, expenditures and changes in fund balances – general fund, student extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – general fund, combining schedule of revenues, expenses and changes in fund balance – general fund, extracurricular activities – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and 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 combining balance sheet – general fund, combining schedule of revenues, expenses and changes in fund balance – general fund, the extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and 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 20, 2015, on our consideration of Laurel Public School District No. 7 and 7-70'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 Laurel Public School District No. 7 and 7-70's internal control over financial reporting and compliance.



Wipfli LLP
Billings, Montana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

ASSETS:	
Cash and Equivalents	2,966,473
Taxes Receivable	212,608
Due from Other Governments	39,844
Other assets	54,347
	<u>3,273,272</u>
Capital Assets:	
Land	389,546
Other Capital Assets, net of depreciation	21,724,907
Total Capital Assets	<u>22,114,453</u>
Total Assets	<u>25,387,725</u>
LIABILITIES:	
Accounts payable	5,176
Due to other governments	45,834
Long-term liabilities:	
Due within one year:	
Notes payable	59,842
Bonds payable	995,000
Compensated absences	200,774
Due in more than one year:	
Notes payable	126,934
Bonds payable	12,340,000
Compensated absences	468,472
Other postemployment benefits	2,012,970
Total liabilities	<u>16,255,002</u>
NET POSITION:	
Net investment in capital assets	8,592,677
Restricted for:	
Compensated absences	53,403
Other fund activities	1,609,010
Debt Service	581,137
Capital Projects	328,680
Unrestricted	<u>(2,032,184)</u>
Total net position	<u>9,132,723</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Primary government				
Instruction:				
Regular Programs	9,661,519	25,080	789,472	(8,846,967)
Special Programs	1,289,267	0	455,086	(834,181)
Vocational Programs	414,628	0	0	(414,628)
Adult Education	16,335	0	0	(16,335)
Traffic Education	29,011	27,800	19,533	18,322
Supporting Services	3,231,155	0	0	(3,231,155)
Operations & Maintenance	2,476,969	0	0	(2,476,969)
Student Transportation	875,557	0	130,798	(744,759)
Food Services	868,282	351,557	0	(516,725)
Extracurricular	660,325	0	0	(660,325)
Interest on Long-term debt	445,674	0	0	(445,674)
Debt Issuance Costs	12,178	0	0	(12,178)
Unallocated Depreciation	11,227	0	0	(11,227)
Total governmental activities	<u>19,992,127</u>	<u>404,437</u>	<u>1,394,889</u>	<u>(18,192,801)</u>
General revenues:				
Property taxes, levied for general purposes				761,214
County Retirement Distribution				1,316,293
State Aid				9,253,298
Interest				12,284
Other				261,363
Total general revenues				<u>11,604,452</u>
Change in net position				<u>(6,588,349)</u>
Net position - beginning				15,734,946
Prior period adjustment				<u>(13,874)</u>
Net assets - beginning as restated				<u>15,721,072</u>
Net position - ending				<u><u>9,132,723</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Elementary Bus Depreciation	High School Bus Depreciation	Elementary Miscellaneous	Elementary Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	465,219	588,916	333,433	259,566	321,521	997,818	2,966,473
Taxes receivable, net	134,077	5,354	3,535	0	22,966	46,676	212,608
Due from other governments	0	0	0	20,829	0	19,015	39,844
Total assets	<u>599,296</u>	<u>594,270</u>	<u>336,968</u>	<u>280,395</u>	<u>344,487</u>	<u>1,063,509</u>	<u>3,218,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	3,611	0	0	65	0	1,500	5,176
Due to other governments	0	0	0	45,834	0	0	45,834
Total liabilities	<u>3,611</u>	<u>0</u>	<u>0</u>	<u>45,899</u>	<u>0</u>	<u>1,500</u>	<u>51,010</u>
Deferred inflows of resources:							
Unavailable Tax Revenues	134,077	5,354	3,535	0	22,966	46,676	212,608
Total deferred inflows of resources	<u>134,077</u>	<u>5,354</u>	<u>3,535</u>	<u>0</u>	<u>22,966</u>	<u>46,676</u>	<u>212,608</u>
Fund balances:							
Restricted for:							
Compensated absences	0	0	0	0	0	53,403	53,403
Other fund activities	0	524,416	268,933	234,216	0	458,991	1,486,556
Debt service funds	0	0	0	0	321,521	217,297	538,818
Capital projects	0	0	0	0	0	326,373	326,373
Assigned for:							
Encumbrances	33,727	64,500	64,500	280	0	25,340	188,347
Unassigned	427,881	0	0	0	0	(66,071)	361,810
Total fund balances	<u>461,608</u>	<u>588,916</u>	<u>333,433</u>	<u>234,496</u>	<u>321,521</u>	<u>1,015,333</u>	<u>2,955,307</u>
Total liabilities, deferred inflows of resources and fund balances	<u>599,296</u>	<u>594,270</u>	<u>336,968</u>	<u>280,395</u>	<u>344,487</u>	<u>1,063,509</u>	<u>3,218,925</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	2,955,307
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	22,114,453
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Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	212,608
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Bond issuance costs are capitalized when paid and amortized over the life of the related debt, rather than expensed when paid.	54,347
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Some liabilities, (such as Compensated Absences, Bonds Payable and Other Postemployment Benefits) are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(16,203,992)
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Net Position of Governmental Activities in the Statement of Net Position	<u>9,132,723</u>
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The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Elementary Bus Depreciation	High School Bus Depreciation	Elementary Miscellaneous	Elementary Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes for General Purposes	4,618,352	223,821	147,518	0	894,794	1,558,844	7,443,329
Tuition	25,080	0	0	0	0	27,800	52,880
Intergovernmental:							
County	0	0	0	0	0	1,381,909	1,381,909
State	8,714,387	0	0	639,048	98,793	340,870	9,793,098
Federal	0	0	0	409,161	0	380,310	789,471
Interest on Investments	1,124	2,512	1,158	276	1,718	5,496	12,284
Student Transportation	0	0	0	0	0	351,557	351,557
Other	72,717	0	0	142,189	0	46,457	261,363
Total revenues	<u>13,431,660</u>	<u>226,333</u>	<u>148,676</u>	<u>1,190,674</u>	<u>995,305</u>	<u>4,093,243</u>	<u>20,085,891</u>
EXPENDITURES							
Current:							
Instruction	8,203,309	0	0	1,008,483	0	1,844,541	11,056,333
Supporting Services	2,373,601	0	0	174,223	0	441,046	2,988,870
Operations and Maintenance	1,995,075	0	0	23,500	0	130,691	2,149,266
Student Transportation	63,629	32,500	32,500	0	0	630,912	759,541
Food Services	69,842	0	0	0	0	779,552	849,394
Extracurricular	436,977	0	0	0	0	51,921	488,898
Capital Outlay	5,118	0	0	0	0	45,332	50,450
Debt Service	43,155	0	0	0	751,662	696,099	1,490,916
Total Expenditures	<u>13,190,706</u>	<u>32,500</u>	<u>32,500</u>	<u>1,206,206</u>	<u>751,662</u>	<u>4,620,094</u>	<u>19,833,668</u>
Excess (deficiency) of revenues over expenditures	240,954	193,833	116,176	(15,532)	243,643	(526,851)	252,223
OTHER FINANCING SOURCES (USES)							
Transfers in	192	0	0	0	0	100,000	100,192
Transfers out	0	(100,000)	0	0	0	(192)	(100,192)
Total other financing sources and uses	<u>192</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,808</u>	<u>0</u>
Net change in fund balances	241,146	93,833	116,176	(15,532)	243,643	(427,043)	252,223
Fund balances - beginning	220,462	495,083	217,257	250,028	77,878	1,456,250	2,716,958
Prior period adjustment	0	0	0	0	0	(13,874)	(13,874)
Fund balances - beginning, as restated	220,462	495,083	217,257	250,028	77,878	1,442,376	2,703,084
Fund balances - ending	<u>461,608</u>	<u>588,916</u>	<u>333,433</u>	<u>234,496</u>	<u>321,521</u>	<u>1,015,333</u>	<u>2,955,307</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	252,223
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(762,270)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(6,682,120)
Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:	
Compensated absences expense	(29,488)
Other postemployment benefits	(450,208)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:	
Capital outlays, not including capital assets under leases	50,450
Principal payments on debt	1,033,064
Change in net position of governmental activities	<u><u>(6,588,349)</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

As of and For the Year Ended June 30, 2014

	PRIVATE PURPOSE TRUST	
	STUDENT	
	ACTIVITY	SCHOLARSHIPS
FIDUCIARY NET POSITION		
Assets:		
Cash	212,888	12,937
Total Assets	<u>212,888</u>	<u>12,937</u>
Net Position:		
Held in Trust for Student Activities	212,888	0
Reserved for scholarships	0	12,937
Total net position	<u>212,888</u>	<u>12,937</u>
CHANGES IN FIDUCIARY NET POSITION		
Additions		
Revenue from Student Activities	435,538	0
Interest	0	63
Total additions	<u>435,538</u>	<u>63</u>
Deductions		
Expenses for Student Activities	435,623	0
Support Services	0	1,000
Total deductions	<u>435,623</u>	<u>1,000</u>
Change in Net Position Held in Trust	(85)	(937)
Net Position, Beginning	<u>212,973</u>	<u>13,874</u>
Net Position, End of Year	<u>212,888</u>	<u>12,937</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note A. Description of the School District and Reporting Entity

1. Reporting Entity

Laurel Public School District No. 7 and 7-70 was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, High School and Elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Yellowstone County provides services to the District; tax billings and cash collections all flow through the office of the County Treasurer. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Yellowstone County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the Student Activity and Scholarships Funds.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note B. Summary of Significant Accounting Policies

The financial statements of Laurel Public School District No. 7 and 7-70 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

1. Basis of Presentation

a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District with the exception of the Student Activity and Scholarship funds. The Student Activity fund, which accounts for the extracurricular activities of the District's students, and the Scholarship funds are reported as private purpose trust funds in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate 'fund types.'

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

2. Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The flex fund is funded by a state grant and voted levy.

The General Fund has been blended with the Flex Fund on the governmental fund financial statements for financial reporting purposes under GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Elementary Bus Depreciation - Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. Fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes.

High School Bus Depreciation - Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. Fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes.

Elementary Miscellaneous Programs - The Miscellaneous Programs Fund is used for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Elementary Debt Service Fund – Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA. The Debt Service Fund is a budgeted fund.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on Net Position and changes in Net Position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

4. Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

b. Fund Financial Statements

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide Statement of Net Position and on its balance sheet-governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Advances from grantor also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for advances from grantors and the deferred inflow of resources for unavailable tax revenues are removed from the balance sheet and revenue is recognized.

5. Cash and Investments

Cash resources of the District for all funds are deposited in local financial institutions. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received is distributed to the appropriate fund utilizing a formula based on the respective fund's previous month's ending balance of cash and cash equivalents.

The District's carrying amount of cash and cash equivalents was \$3,818,347 as of June 30, 2014. These amounts are held in demand deposit accounts, a repurchase investment account and CDARS. The bank balance is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized.

The Elementary, Middle School and High School Extracurricular Fund cash of \$41,633, \$45,122 and \$134,386 at June 30, 2014 are held at Western Securities Bank, Yellowstone Bank and Yellowstone Bank, respectively. The accounts are insured by the FDIC up to \$250,000.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

6. Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-50 Years
Buildings and Improvements	15-50 Years
Machinery and Equipment	5-20 Years

7. Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

8. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report 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 District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted – Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Committed – Amounts that can be used only for specific purposes determined by a formal action of the School District’s Board of Trustees (the District’s highest level of decision making authority).

Assigned – Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned – The residual classification for the government’s general fund that includes all amounts that are not contained in the other classifications.

It is the District’s policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either Assigned fund balance or Committed fund balance. At June 30, 2014, \$33,727, \$64,500, \$64,500, \$280, and \$25,340 was assigned for encumbrances in the general fund, elementary bus depreciation fund, high school bus depreciation fund, elementary miscellaneous fund, and other governmental funds, respectively.

10. Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

11. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

12. Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through February 20, 2015, the date the financial statements were available to be issued.

Note C. Property Taxes

Property taxes are collected by Yellowstone County who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014 uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Yellowstone County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Yellowstone County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:					
Land Improvements	1,115,279	0	0	0	1,115,279
Buildings and Improvements	24,429,003	137,488	42,503	0	24,608,994
Machinery and Equipment	3,966,367	264,188	7,947	0	4,238,502
	<u>29,510,649</u>	<u>401,676</u>	<u>50,450</u>	<u>0</u>	<u>29,962,775</u>
OTHER CAPITAL ASSETS:					
Construction in Process	401,676	(401,676)	0	0	0
Land	389,546	0	0	0	389,546
	<u>401,676</u>	<u>(401,676)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>30,301,871</u>	<u>0</u>	<u>50,450</u>	<u>0</u>	<u>30,352,321</u>
LESS ACCUMULATED DEPRECIATION FOR:					
Land Improvements	520,636	0	60,431	0	581,067
Buildings and Improvements	4,284,891	0	430,922	0	4,715,813
Machinery and Equipment	2,670,071	0	270,917	0	2,940,988
Total accumulated depreciation	<u>7,475,598</u>	<u>0</u>	<u>762,270</u>	<u>0</u>	<u>8,237,868</u>
Total	<u>22,826,273</u>				<u>22,114,453</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Depreciation expense was charged to the functions of the District as follows:

Instruction	113,630
Supporting Services	3,378
Operations and Maintenance	327,704
Student Transportation	116,016
Food Services	18,888
Extracurricular	171,427
Unallocated Depreciation	11,227
Total Depreciation Expense	<u>762,270</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note E. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The summary of activity in bonds payable (including current maturities) is as follows as of June 30, 2014:

	<u>Bonds Payable</u> <u>July 1, 2013</u>	<u>Debt Retired</u>	<u>Bonds Payable</u> <u>June 30, 2014</u>	<u>Due</u> <u>Within</u> <u>One Year</u>	<u>Due in</u> <u>More Than</u> <u>One Year</u>
General Obligation Bonds:					
Elementary 2004 Series; 3.25% to 5.25% variable interest rate; final maturity July 1, 2025	990,000	485,000	505,000	505,000	0
High School 2004 series; 3.00% to 4.37% variable interest rate; final maturity August 1, 2012	330,000	160,000	170,000	170,000	0
High School 2008 series; 4.10% to 5.00% variable interest rate; final maturity December 15 ,2028	3,290,000	140,000	3,150,000	145,000	3,005,000
High School 2011 series; 2.50% to 3.00% variable interest rate; final maturity July 1, 2021	820,000	100,000	720,000	100,000	620,000
High School Refunding bond; 2.00% to 3.00% variable interest rate; final maturity July 1, 2025	2,235,000	20,000	2,215,000	25,000	2,190,000
Elementary Refunding bond; 2.00% to 3.00% variable interest rate; final maturity July 1, 2025	6,635,000	60,000	6,575,000	50,000	6,525,000
Total	<u>14,300,000</u>	<u>965,000</u>	<u>13,335,000</u>	<u>995,000</u>	<u>12,340,000</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

At June 30, 2014 the annual cash flow requirements for retirement of bond principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	995,000	224,317	1,219,317
2016	1,040,000	193,567	1,233,567
2017	1,060,000	179,193	1,239,193
2018	1,095,000	165,208	1,260,208
2019	1,125,000	150,892	1,275,892
Thereafter	8,020,000	966,986	8,986,986
Total	<u>13,335,000</u>	<u>1,880,163</u>	<u>15,215,163</u>

The District is subject to Montana Code Annotated which limits the amount of indebtedness by the issuance of bonds to the greater of:

1. 50% of the taxable value of property subject to taxation by the District as ascertained by the last assessment for property taxes, or
2. 50% of the statewide Facility Guaranteed Mill Value per ANB multiplied by 1,000, multiplied by the number of students enrolled in a particular district (based on the current year average number of students belonging "ANB").

As of June 30, 2014 the statutory debt limit for the District was as follows:

	Elementary	High School
Statutory debt limit	21,622,830	24,408,890
Outstanding debt	<u>7,080,000</u>	<u>6,255,000</u>
Remaining debt capacity	<u>14,542,830</u>	<u>18,153,890</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

In March 2013, the District entered into a loan agreement with Yellowstone Bank for \$245,000 to finance the purchase of servers for the elementary school. The note calls for bi-annual payments on August 15 and February 15 of each year. The interest rate on the notes is fixed at 3.90%.

	Note Payable July 1, 2013	Debt Retired	Note Payable June 30, 2014	Due Within One Year	Due in More Than One Year
Yellowstone Bank Note	254,840	68,064	186,776	59,842	126,934
Total	254,840	68,064	186,776	59,842	126,934

At June 30, 2014 the annual cash flow requirements for retirement of note principal are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	59,842	6,787	66,629
2016	62,230	4,400	66,630
2017	64,704	1,925	66,629
Total	186,776	13,112	199,888

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	July 1, 2013	Additions	Reductions	June 30, 2014	Due Within One Year	Due in More Than One Year
Compensated Absences Payable	639,758	29,488	0	669,246	200,774	468,472
Other Postemployment Benefits	1,562,762	450,208	0	2,012,970	0	2,012,970
Total	2,202,520	479,696	0	2,682,216	200,774	2,481,442

Payments on bonds payable are made by the debt service funds. The compensated absences liability will be liquidated by several of the governmental funds.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Summary of Information for Continuing Disclosure:

1. Future Financing

Other than the high school \$2,270,000 Refunding Bonds and the elementary school \$6,745,000 Refunding Bonds, that were issued in March 2013, the District, currently has no formal plans to issue more bonds but reserves the right to seek further funding as necessary.

2. Trends in Property Valuations

The following table indicates the property valuation trends for the District for the current and five prior fiscal years. All class three, four and ten property in each county is reappraised every six years. The last reappraisal was completed and effective January 1, 2009. Other property valuations are based on comprehensive appraisals of all taxable property performed by the Department of Revenue each year.

Fiscal Year	Elementary			
	Taxable Market Valuation	Percent Change	Taxable Valuation	Percent Change
2013/2014	1,329,180,227	4.72%	35,435,424	7.37%
2012/2013	1,269,228,645	7.48%	33,002,786	9.14%
2011/2012	1,180,866,228	-1.37%	30,239,968	5.41%
2010/2011	1,197,269,237	2.71%	28,688,467	0.95%
2009/2010	1,165,665,049	16.19%	28,418,940	-2.20%
2008/2009	1,003,219,785	n/a	29,057,705	n/a

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

High School				
Fiscal Year	Taxable Market Valuation	Percent Change	Taxable Valuation	Percent Change
2013/2014	1,310,752,332	4.79%	34,838,206	7.37%
2012/2013	1,250,800,740	7.55%	32,447,255	9.29%
2011/2012	1,162,996,927	-1.49%	29,690,056	3.50%
2010/2011	1,180,540,349	2.67%	28,686,008	1.25%
2009/2010	1,149,878,153	16.42%	28,333,039	-0.77%
2008/2009	987,740,022	n/a	28,551,360	n/a

3. Tax Collections

The following table demonstrates the tax collection history for real property taxes levied by the District for all funds for fiscal years ending June 30, 2009 through 2014.

Elementary			
Fiscal Year	Total Tax Levy	Total Tax Collections	Total Collections as Percent of Levy
2013/2014	4,078,972	3,987,269	97.75%
2012/2013	4,128,464	1,733,849	41.90%
2011/2012	3,869,226	3,314,991	85.60%
2010/2011	3,978,789	4,035,704	101.43%
2009/2010	3,659,247	2,774,682	75.80%
2008/2009	3,550,871	3,614,908	101.80%

High School			
Fiscal Year	Total Tax Levy	Total Tax Collections	Total Collections as Percent of Levy
2013/2014	2,591,614	2,839,682	109.57%
2012/2013	2,891,266	1,204,955	41.70%
2011/2012	2,574,508	2,189,089	85.00%
2010/2011	2,639,316	2,676,564	101.40%
2009/2010	2,453,708	1,819,254	74.10%
2008/2009	2,120,886	2,169,571	102.30%

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

4. Tax Levies

The table below shows the mill rates per \$1,000 of taxable value for property located in the District for the tax years 2008/2009 through 2013/2014. The "Total" shown below is equal to the aggregate number of mills levied against most property in the District. Property located in the City is levied for the City of Laurel and not the County Road Fund. Additionally, property may be responsible for other specific fire district levies and cemetery district levies, which are not shown below.

Taxing Entity	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
University Millage	6.00	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	106.22	104.48	105.84	106.46	108.59	105.86
Laurel Elementary School District	122.22	128.77	138.70	127.94	125.10	115.11
Laurel High School District	74.27	87.89	93.74	86.70	89.11	74.39
Big Sky Economic Development Authority	3.02	3.05	3.05	3.05	3.09	3.09
Yellowstone County	105.16	105.67	113.09	113.17	115.90	117.02
County Planning Laurel Residents	1.66	1.72	1.89	1.89	1.87	1.31
City of Laurel	185.93	194.41	202.51	204.18	208.40	207.59
Total	644.48	671.99	704.82	689.39	698.06	670.37

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note F. Employee Benefit Plans

1. Plan Description and Provisions

All full-time District employees participate in one of two state-wide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$10,316,994.

Public Employees' Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$127,375 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation which is considered to be an "on behalf" payment. Although not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$129,008 (7.90% of eligible). Total payroll for employees covered by PERS was \$1,633,015. One hundred percent of the required and additional contributions were made for the current year and the preceding two years. They were \$256,383, \$96,690, and \$112,052, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$709,894 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS employees' monthly compensation which is considered to be an "on behalf" payment. Although generally not a significant amount, the contribution is a part of the TRS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$670,820 (8.15% of eligible payroll). Total payroll for teaching employees was \$7,908,942. One hundred percent of the required and additional contributions were made for the current year and the preceding two years. They were \$1,380,714, \$574,474, \$545,052 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS financial information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E. Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

Note G. Risk Management

The District faces a considerable number of risks of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, (i.e. errors and omissions); d) environmental damage; e) workers' compensation, (i.e. employee injuries) and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. A commercial policy with Western States Insurance, transferring all risks of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. Flood insurance is provided through a policy with Hartford Insurance. Employee workers' compensation coverage is provided through Montana Schools Group's Workers Compensation Risk Retention Program. Employee medical insurance is provided through Allegiance Benefit Plan Management. The District does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

Note H. Deficit Fund Balance

The following governmental funds have deficit fund balances:

Elementary Transportation	33,077
Elementary School Food	<u>32,994</u>
Total	<u><u>66,071</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note I. Due From Other Governments

Due from other governments at June 30, 2014 consists of amounts owed to the District from other governmental entities. These consist of the following:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
School Food Program Fund	2,215	0	2,215
Miscellaneous Programs Fund	20,829	0	20,829
Traffic Education	0	16,800	16,800
Total	<u>23,044</u>	<u>16,800</u>	<u>39,844</u>

Note J. Non-Monetary Transactions

The District received \$39,622 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

Note K. Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note L. Transfers

During the year ended June 30, 2014, the District made resources transfers of \$100,000 from the Elementary Bus Depreciation Fund to the Elementary Building Reserve Fund for the purpose of updating school safety and security measures. These transfers are allowable pursuant to Senate Bill 348 that was passed in the spring of 2013 by the Montana State Legislature. The District also made resource transfers of \$108 and \$84 from the Elementary and High School Lease Rental Fund to the Elementary General Fund to fund lease payments during the year.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note M. Other Postemployment Benefits (OPEB)

1. Other Postemployment Benefits

The District provides continuation of medical coverage to its retiring employees. Retirees may elect to continue medical coverage for themselves and their dependents through the District until the retiree's death. The District does not contribute to the health insurance premiums for retirees. An other postemployment benefits arises from the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan. As required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District has calculated and included a postemployment benefit liability for the year ended June 30, 2014.

2. Plan Description

The District maintains a single-employer medical plan. The plan provides defined health insurance for eligible employees, retirees, spouses and dependents. Included in the plan are medical and prescription drugs benefits. The plan has options for pre Medicare insurance benefits and for Medicare supplemental insurance benefits. Continued participation in the plan is elected by retirees at the time of retirement.

3. Funding Policy

The required contribution for the District is based on a pay-as-go basis using a level percentage of pay amortization method over 30 years.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

4. Annual OPEB Cost and Net OPEB Obligation

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost 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 District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

Normal Cost	547,163
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	350,709
Interest to 6/30/13	3,850
Annual OPEB cost (expense)	<u>901,722</u>
ARC Adjustment made	(559,636)
Contributions made	<u>108,122</u>
Increase in net OPEB obligation	450,208
Net OPEB Obligation - 7/1/13	<u>1,562,762</u>
Net OPEB Obligation - 6/30/14	<u><u>2,012,970</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

5. Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the fiscal years ended June 30, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	1,071,541	0.0%	1,071,541
June 30, 2013	491,221	0.0%	1,562,762
June 30, 2014	450,208	0.0%	2,012,970

6. Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

7. Actuarial Methods and Assumptions

As of June 30, 2014, the District's actuarially accrued liability (AAL) for benefits was \$9,053,679. The AAL by status breakdown is shown below:

Actives	8,216,114
Retirees	<u>837,565</u>
Total AAL	<u><u>9,053,679</u></u>
Normal Cost	<u><u>547,163</u></u>
Participant Information:	
Actives	206
Retirees	<u>21</u>
Total Participants	<u><u>227</u></u>

The following key assumptions were used by the District:

- a. Funding method: Entry Age Normal Cost, level percent of pay
- b. Discount rate: 4.25%
- c. Salary increase: 2.5% per year for PERS employees; 2.5% per year for TRS employees
- d. Healthcare trend rate:
 1. Pre Medicare - 2014 – 9.5%, 2015 – 9.0%, 2016 – 8.5%, 2017 – 8.0%, 2018 – 7.5%, 2019 – 7.0%, 2020 – 6.4%, 2021 – 6.3%, 2022 - 5.7%, thereafter 4.2
 2. Post Medicare - 2014 – 6.5%, 2015 – 6.0%, 2016 – 6.0%, 2017 – 5.5%, 2018 – 5.0%, 2019 – 4.5%, 2020 – 4.2%, 2021 – 4.2%, 2022 - 4.2%, thereafter 4.2
 3. Pharmacy - 2014 – 7.0%, 2015 – 6.6%, 2016 – 6.2%, 2017 – 5.8%, 2018 – 5.4%, 2019 – 5.0%, 2020 – 4.6%, 2021 – 4.2%, 2022 – 4.2%, thereafter 4.2
- e. Participation rate: 45% of future retirees
- f. Marital assumption: 70% of current active participants are assumed to be married, of these, 60% are assumed to elect coverage for their spouse in retirement. Husbands assumed to be 3 years older than their wives

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2014

Note N. Prior Period Adjustment

During the year ended June 30, 2014, it was determined that the prior year audit report incorrectly included the scholarship fund activity in the government-wide and fund financial statements. In order to correctly present the Scholarship Fund, which is fiduciary in nature due to restrictions in place on use of funds, a prior period adjustment was made to remove the prior fund balance and net position from the government-wide and fund financial statements. The overall effect of this adjustment was to remove \$13,874 from net position on the government-wide Statement of Activities and to remove \$13,874 from the fund balances on the Statement of Revenues, Expenditures, and Changes in Fund Balances. The change also results in the Scholarship Fund and its related activity to be shown on the Statement of Fiduciary Net Position and Changes in Net Position.



REQUIRED SUPPLEMENTAL INFORMATION

Laurel Public School District No. 7 and 7-70

Yellowstone County
Livingston, Montana
June 30, 2014

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	General Fund		Elementary Flex Fund		High School Flex Fund	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES						
Taxes	4,368,958	4,618,352	0	0	0	0
Tuition	21,100	25,080	0	0	0	0
Intergovernmental revenues						
State	8,701,968	8,714,387	0	0	0	0
Interest on investments	934	1,090	0	17	0	17
Other revenue	6,630	72,717	0	0	0	0
Total revenues before reappropriations	<u>13,099,590</u>	<u>13,431,626</u>	<u>0</u>	<u>17</u>	<u>0</u>	<u>17</u>
Budgeted reappropriations	0		3,491		3,493	
Total revenues and reappropriations	<u>13,099,590</u>		<u>3,491</u>		<u>3,493</u>	
EXPENDITURES						
Current:						
Instruction	13,099,590	8,035,730	3,491	0	3,493	0
Supporting services	0	2,379,506	0	0	0	0
Operations and maintenance	0	2,019,705	0	0	0	0
Student transportation	0	63,629	0	0	0	0
Food services	0	69,842	0	0	0	0
Extracurricular	0	427,624	0	0	0	0
Capital outlay	0	647	0	0	0	0
Debt service	0	54,894	0	0	0	0
Material prior period adjustments	0	0	0	0	0	0
Total expenditures	<u>13,099,590</u>	<u>13,051,577</u>	<u>3,491</u>	<u>0</u>	<u>3,493</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	380,049	<u>0</u>	17	<u>0</u>	17
OTHER FINANCING SOURCES (USES)						
Resource transfers in (out)		(49,295)		0		0
Total other financing sources (uses)		<u>(49,295)</u>		<u>0</u>		<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures		330,754		17		17
Fund balances, beginning (Non-GAAP budgetary basis)		90,109		3,491		3,493
Fund balances, ending (Non-GAAP budgetary basis)		420,863		3,508		3,510
Adjustments to generally accepted accounting principles						
Current year encumbrances included in expenditures		<u>33,727</u>		<u>0</u>		<u>0</u>
Fund balances, ending (GAAP basis)		<u>454,590</u>		<u>3,508</u>		<u>3,510</u>

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – CONTINUED

For the Year Ended June 30, 2014

	Elementary Bus Depreciation		High School Bus Depreciation	
	ORIGINAL AND FINAL		ORIGINAL AND FINAL	
	BUDGET	ACTUAL	BUDGET	ACTUAL
REVENUES				
Taxes	180,371	223,821	117,627	147,518
Intergovernmental revenues				
Interest on investments	0	2,512	0	1,158
Total revenues before reappropriations	180,371	226,333	117,627	148,676
Budgeted reappropriations	411,144		147,807	
Total revenues and reappropriations	591,515		265,434	
EXPENDITURES				
Current:				
Student transportation	0	32,500	265,434	32,500
Capital outlay	591,515	32,000	0	32,000
Total expenditures	591,515	64,500	265,434	64,500
Excess (deficiency) of revenues over expenditures	0	161,833	0	84,176
OTHER FINANCING SOURCES (USES)				
Resource transfers in (out)		(100,000)		0
Total other financing sources (uses)		(100,000)		0
Excess (deficiency) of revenues and other sources over expenditures		61,833		84,176
Fund balances, beginning (Non-GAAP budgetary basis)		462,583		184,757
Fund balances, ending (Non-GAAP budgetary basis)		524,416		268,933
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures		64,500		64,500
Fund balances, ending (GAAP basis)		588,916		333,433

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

1. Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Metal Mines		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds		
Extracurricular		X
Scholarships		X
Miscellaneous Trust		X
Agency Funds		
Cobra Insurance		X

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

2. Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

a. Budgetary policy follows:

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
- 3) On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.
- 4) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 5) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the Balance Sheet – Governmental Funds. Because inclusion of these obligations is required for budgetary purposes they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended June 30, 2014

The year ended June 30, 2010 is the year of transition for GASB Statement No. 45 therefore, the requirements of GASB Statement No. 45 have been implemented prospectively. Hence, the below illustration does not reflect similar information respective of the years preceding June 30, 2010. The annual OPEB costs, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2014 for the District’s other postemployment benefits are as follows:

ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	06/30/12	\$ 1,071,541	0.0%	\$ 1,071,541
	06/30/13	\$ 491,221	0.0%	\$ 1,562,762
	06/30/14	\$ 450,208	0.0%	\$ 2,012,970

The funded status of the plan was as follows:

(a) Actuarial accrued liability (AAL)	\$ 9,053,679
(b) Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL) [(a) - (b)]	<u>\$ 9,053,679</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 10,331,922
Unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll [{(a) - (b)} / (c)]	87.6%

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

For the Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS							
		(a)	(b)	(b - a)	(a / b)	(c)	[(b - a) / c]
Retiree Health Plan	Actuarial Valuation Date	Actuarial Value of assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	06/30/12	\$ -	\$ 3,280,910	\$ 3,280,910	0.0%	\$ 8,468,256	38.7%
	06/30/13	\$ -	\$ 5,229,603	\$ 5,229,603	0.0%	\$ 10,424,380	50.2%
	06/30/14	\$ -	\$ 9,053,679	\$ 9,053,679	0.0%	\$ 10,331,922	87.6%



SUPPLEMENTAL INFORMATION

Laurel Public School District No. 7 and 7-70
Yellowstone County
Livingston, Montana
June 30, 2014

SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2014

	<u>Elementary General Fund</u>	<u>High School General Fund</u>	<u>Elementary Flex</u>	<u>High School Flex</u>	<u>Total General Fund</u>
ASSETS					
Cash and cash equivalents	235,418	222,783	3,508	3,510	465,219
Taxes receivable, net	84,186	49,891	0	0	134,077
Total assets	<u>319,604</u>	<u>272,674</u>	<u>3,508</u>	<u>3,510</u>	<u>599,296</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	0	3,611	0	0	3,611
Total liabilities	<u>0</u>	<u>3,611</u>	<u>0</u>	<u>0</u>	<u>3,611</u>
Deferred inflows of resources:					
Unavailable Tax Revenues	84,186	49,891	0	0	134,077
Total deferred inflows of resources	<u>84,186</u>	<u>49,891</u>	<u>0</u>	<u>0</u>	<u>134,077</u>
Fund balances:					
Assigned for:					
Encumbrances	14,418	19,309	0	0	33,727
Unassigned	221,000	199,863	3,508	3,510	427,881
Total fund balances	<u>235,418</u>	<u>219,172</u>	<u>3,508</u>	<u>3,510</u>	<u>461,608</u>
Total liabilities, deferred inflows of resources and fund balances	<u>319,604</u>	<u>272,674</u>	<u>3,508</u>	<u>3,510</u>	<u>599,296</u>

SUPPLEMENTAL INFORMATION

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND

For the year Ended June 30, 2014

	<u>Elementary General Fund</u>	<u>High School General Fund</u>	<u>Elementary Flex</u>	<u>High School Flex</u>	<u>Total General Fund</u>
REVENUES					
Property Taxes for General Purposes	2,917,345	1,701,007	0	0	4,618,352
Tuition	7,805	17,275	0	0	25,080
Intergovernmental:					
State	5,565,212	3,149,175	0	0	8,714,387
Interest on Investments	1,090	0	17	17	1,124
Other	32,671	40,046	0	0	72,717
Total revenues	<u>8,524,123</u>	<u>4,907,503</u>	<u>17</u>	<u>17</u>	<u>13,431,660</u>
EXPENDITURES					
Current:					
Instruction	5,553,556	2,649,753	0	0	8,203,309
Supporting Services	1,417,566	956,035	0	0	2,373,601
Operations and Maintenance	1,302,682	692,393	0	0	1,995,075
Student Transportation	14,353	49,276	0	0	63,629
Food Services	10	69,832	0	0	69,842
Extracurricular	72,934	364,043	0	0	436,977
Capital Outlay	5,118	0	0	0	5,118
Debt Service	43,155	0	0	0	43,155
Total Expenditures	<u>8,409,374</u>	<u>4,781,332</u>	<u>0</u>	<u>0</u>	<u>13,190,706</u>
Excess (deficiency) of revenues over expenditures	114,749	126,171	17	17	240,954
OTHER FINANCING SOURCES (USES)					
Transfers in	108	84	0	0	192
Total other financing sources and uses	<u>108</u>	<u>84</u>	<u>0</u>	<u>0</u>	<u>192</u>
Net change in fund balances	114,857	126,255	17	17	241,146
Fund balances - beginning	<u>120,561</u>	<u>92,917</u>	<u>3,491</u>	<u>3,493</u>	<u>220,462</u>
Fund balances - ending	<u>235,418</u>	<u>219,172</u>	<u>3,508</u>	<u>3,510</u>	<u>461,608</u>

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements or Expenditures</u>
U.S. Department of Education		
<u>Passed through Montana Office of Public Instruction</u>		
Title I, Part A, Improving Basic Programs	84.010	285,351
Title II, Part A, Teacher and Principal Training & Recruiting	84.367	112,392
Career and Technical Education - Basic Grants to States	84.048	27,711
Total Passed through Montana Office of Public Instruction		<u>425,454</u>
Total U.S. Department of Education		<u>425,454</u>
U.S. Department of Agriculture		
<u>Passed through Montana Office of Public Instruction</u>		
Child Nutrition Cluster		
Cash Assistance:		
School Breakfast Program	10.553	49,837
National School Lunch Program	10.555	265,618
		<u>315,455</u>
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	39,622
Total Department of Agriculture		<u>355,077</u>
Total Federal Financial Assistance		<u>780,531</u>

SUPPLEMENTAL INFORMATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Note A Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Laurel Public School District No. 7 and 7-70 and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

Note B Nonmonetary Transactions

The District received \$39,622 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Receipts	Disbursements	Transfers	Net Position June 30, 2014
Elementary South General	5,950	3,083	2,148	0	6,885
Elementary West General	11,852	1,971	1,183	0	12,640
Elementary Graff General	17,220	11,170	5,817	0	22,573
Middle School General	17,617	14,553	25,096	0	7,074
Middle School Library	219	4,373	4,113	0	479
Middle School Activities	5,023	5,518	8,240	0	2,301
Middle School Concessions	1,877	2,581	3,682	0	776
Middle School Snack	652	8,751	6,619	0	2,784
Middle School Drug Free/FFN Cash	79	0	0	0	79
Middle School PE Activities	59	0	0	0	59
Middle School Snow Sports	944	5,825	4,760	0	2,009
Middle School Magazine Sales	14,533	10,748	10,082	0	15,199
Middle School Facs	89	0	0	0	89
Middle School School Store	1,114	720	269	0	1,565
Middle School R.A.D.	1,676	7,084	6,967	0	1,793
Middle School Industrial Arts	249	0	0	0	249
Middle School Nat'l Jr.Honor Society	1,107	4,572	4,405	0	1,274
Middle School Yearbook	8,407	8,079	9,292	0	7,194
Middle School Adventure Club	44	3,803	3,464	0	383
Middle School Drama	3	0	0	0	3
Middle School Student Council	845	0	0	0	845
Middle School Spanish	572	0	112	0	460
Middle School Interest	0	24	0	0	24
Subtotal	90,131	92,855	96,249	0	86,737

SUPPLEMENTAL INFORMATION

EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED
For the Year Ended June 30, 2014

<u>Student Activity</u>	<u>Net Position July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Net Position June 30, 2014</u>
Balance from previous page	90,131	92,855	96,249	0	86,737
High School Annual	21,270	17,650	18,772	0	20,148
High School Art Club	1,214	293	589	260	1,178
High School Band	1,739	6,823	3,888	0	4,674
High School Cafe	87	1,888	277	173	1,871
High School Cheerleaders	876	2,048	864	0	2,060
High School Photo Cam	4,755	4,027	6,705	0	2,077
High School Concession Equipment	2,936	0	38	448	3,346
High School Creative Writing	266	0	0	0	266
High School FFA	3,813	19,438	19,205	1,100	5,146
High School On The Right Track	834	1,635	1,665	0	804
High School Life Skills (LPL) School Store	403	0	0	(403)	0
High School Key Club	673	0	673	0	0
High School Art of the Ninja	17	0	0	0	17
High School National Honor Society	895	1,784	1,640	742	1,781
High School Pep Club	116	0	0	(116)	0
High School Full Throttle	1,074	0	300	0	774
High School Revolving	11,292	37,673	40,323	1,188	9,830
High School Spanish Club	1,378	312	112	87	1,665
High School Student Council	4,759	21,293	18,805	944	8,191
High School Drama	937	0	558	0	379
High School Vocal	7,673	32,583	29,735	(175)	10,346
High School NASA	6,097	1,779	9,425	2,659	1,110
Subtotal	<u>163,235</u>	<u>242,081</u>	<u>249,823</u>	<u>6,907</u>	<u>162,400</u>

SUPPLEMENTAL INFORMATION

**EXTRACURRICULAR ACTIVITIES - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION -
CONTINUED****For the Year Ended June 30, 2014**

<u>Student Activity</u>	<u>Net Position July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Net Position June 30, 2014</u>
Balance From Previous Page	163,235	242,081	249,823	6,907	162,400
High School Stand/SADD	1,056	522	733	87	932
High School Sign Club	150	0	0	(150)	0
High School Eastern A Music	34	1,400	1,307	175	302
High School Close Up	1,114	0	0	260	1,374
High School Change Fund	0	2,600	2,600	0	0
High School Pop Fund	6,359	3,721	6,554	359	3,885
High School Outdoors Club	1,559	2,796	4,081	779	1,053
High School Concessions	4,595	34,672	19,148	(8,597)	11,522
High School Business Prof. of Am.	731	938	3,087	2,634	1,216
High School Loco Express	305	16,566	15,005	(1,459)	407
High School Juniors	732	2,130	1,138	669	2,393
High School Sophomores	168	0	165	758	761
High School Freshman	0	0	72	75	3
High School Seniors	1,881	0	1,658	(42)	181
High School Athletics	20,984	115,865	121,757	8	15,100
High School Tourney Account	3,620	2,944	3,544	0	3,020
High School Activities/Athletics	6,450	9,226	4,951	(2,463)	8,262
High School Interest	0	77	0	0	77
	<u>212,973</u>	<u>435,538</u>	<u>435,623</u>	<u>0</u>	<u>212,888</u>

SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT**For the Year Ended June 30, 2014**

<u>Grade</u>	<u>Fall</u>		<u>Winter</u>		<u>Spring</u>	
	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>
K-3	473	473	479	479	475	475
3-4	302	302	307	307	310	310
5-8	607	607	609	609	607	607
9-12	649	649	647	647	642	642
Totals	<u>2,031</u>	<u>2,031</u>	<u>2,042</u>	<u>2,042</u>	<u>2,034</u>	<u>2,034</u>

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

February 20, 2015

Board of Trustees
Laurel Public School District No. 7 and 7-70
Laurel, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laurel Public School District No. 7 and 7-70 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Laurel Public School District No. 7 and 7-70's basic financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laurel Public School District No. 7 and 7-70'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 Laurel Public School District No. 7 and 7-70's internal control. Accordingly, we do not express an opinion on the effectiveness of Laurel Public School District No. 7 and 7-70'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.

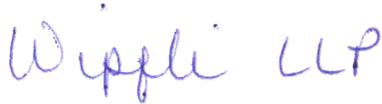
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurel Public School District No. 7 and 7-70's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.



Wipfli LLP
Billings, Montana

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

February 20, 2015

Board of Trustees
Laurel Public School District No. 7 and 7-70
Laurel, Montana

Report on Compliance for Each Major Federal Program

We have audited Laurel Public School District No. 7 and 7-70's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Laurel Public School District No. 7 and 7-70's major federal programs for the year ended June 30, 2014. Laurel Public School District No. 7 and 7-70's major federal program is 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 Laurel Public School District No. 7 and 7-70's major federal program 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 Laurel Public School District No. 7 and 7-70'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 the major federal program. However, our audit does not provide a legal determination of Laurel Public School District No. 7 and 7-70's compliance.

Opinion on Each Major Federal Program

In our opinion, Laurel Public School District No. 7 and 7-70 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on the major federal program is not modified with respect to these matters.

Laurel Public School District No. 7 and 7-70's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Laurel Public School District No. 7 and 7-70's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Laurel Public School District No. 7 and 7-70 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 Laurel Public School District No. 7 and 7-70's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laurel Public School District No. 7 and 7-70'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

Laurel Public School District No. 7 and 7-70's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Laurel Public School District No. 7 and 7-70's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Wipfli LLP

Wipfli LLP
Billings, Montana

SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:	Unmodified			
Internal control over financial reporting:				
- Are any material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	No
Is any noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
- Are any material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
- Are any significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	No

Type of Auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u>	Yes	<u> </u>	No

Identification of Major Programs:

CFDA Number(s)

10.553, 10.555, 10.556, 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>			
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No

Section II - Financial Statement Findings

None

SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

2014-001 Eligibility

Funding Agency: United States Department of Agriculture

Title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555, 10.556, 10.559

Criteria or Specific Requirement: 7 CFR sections 245.2, 245.3 and 245.6; section 9(b)(1) state that "Children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of the Federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price."

Condition: During review of applicant eligibility for free or reduced school food programs one deviation was noted. The deviations consisted of one student receiving free meals and milk that should have paid full price for meals and milk.

Context: We selected a sample of forty students for testing of controls over eligibility and for substantive testing. The sample size was not expanded due to the number of deviations exceeding the maximum amount allowed for a reasonable sample size.

Questioned Costs: To be determined by grantor.

Effect: Federal monies are being improperly expended on ineligible students, which could cause the district to have to repay misspent federal monies.

Cause: The District review procedures failed to operate correctly to ensure eligibility for free or reduced meals and milk is calculated correctly.

Auditor's Recommendation: We recommend that the district ensures that its policies and procedures related to Eligibility are followed.

SUPPLEMENTAL INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2014

Section IV –Auditees Summary Schedule of Prior Audit Findings

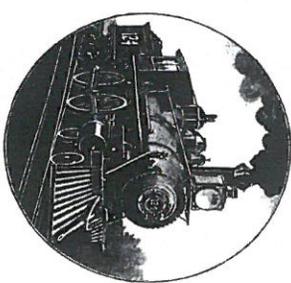
13-1 – Implemented

13-2 – Implemented

Laurel Public Schools

Tim Bronk, Superintendent
School District No. 7 & 7-70
410 Colorado Avenue
Laurel, Montana 59044

District Office (406) 628-8623 • Website: www.laurel.k12.mt.us
Fax (406) 628-8625 • Email tim_bronk@laurel.k12.mt.us



Wipfli LLP
303 N 28th St, Suite 503
Billings MT 59101

CORRECTIVE ACTION PLAN

In response to your memo regarding our June 30, 2014 audit finding, here is our comment on the following condition:

2014-001 Eligibility

Condition: During review of applicant eligibility for free or reduced school food programs one deviation was noted. The deviations consisted of one student receiving free meals and milk that should have paid full price for meals and milk.

Cause: The District review procedures failed to operate correctly to ensure eligibility for free or reduced meals and milk is calculated correctly.

Auditor's Recommendation: We recommend that the district ensures that its policies and procedures related to Eligibility are followed.

Auditee's Response: The district will strive to ensure that ensure that policies and procedures related to Eligibility are followed. Extra caution will be taken by staff responsible for determinations to re-check and confirm accuracy of all application determinations.

Handwritten signature of Tim Bronk in black ink.

Tim Bronk, Superintendent
Laurel Public Schools

Handwritten signature of Donnie McVee in black ink.

Donnie McVee, Business Manager
Laurel Public Schools